

## **Mongolia: Selected Issues and Statistical Appendix**

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MONGOLIA

**Selected Issues and Statistical Appendix**

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Contents	Page
I. The Fiscal Regime for the Mining Sector in Mongolia .....	4
A. Introduction.....	4
B. Modeling the Fiscal Regime for a Copper/Gold Mine .....	5
C. International Comparisons and an Alternative Tax Regime.....	10
D. Conclusions.....	15
References.....	17
II. Government Employment and Wages in Mongolia.....	18
A. Introduction.....	18
B. Recent Trends in Government Employment and Wages.....	18
C. Key Policy Developments.....	23
D. Concluding Remarks.....	25
References.....	27
III. Savings and Credit Cooperatives in Mongolia .....	28
A. Introduction .....	28
B. Developments in the SCC Sector Before the Crisis.....	28
C. Failure of SCCs.....	29
D. Post-Crisis Situation.....	31
E. Concluding Remarks.....	32
References.....	34
IV. Presentation of Mongolia's Fiscal Data Using the Framework of the <i>GFSM 2001</i> , Preliminary Results.....	35
A. General Issues .....	36
B. Results.....	37
C. Next Steps .....	40

## Boxes

II.1	Medium-Term Civil Service Reform Strategy .....	24
II.2	Main Findings of the 2007 Civil Service Census .....	25
III.1	Draft Law on SCCs .....	30
IV.1	Background for the Pilot Studies .....	36
IV.2	Summary of Accounting Practices in Mongolia .....	38
IV.3	The GFSM 2001 Statements and Core Balances .....	42

## Tables

IV.1	Mongolia: Evolution of the General Government Balance Sheet (2004–06) .....	43
IV.2	Mongolia: Integrated Balance Sheet for the General Government, 2006 .....	44
IV.3	Mongolia: Statement of General Government Operations (GFSM 2001), 2006 .....	45
IV.4	Mongolia: Statement of Sources and Users of Cash (monthly) for General Government (GFSM 2001), 2007 .....	46

## Statistical Appendix Tables

1.	Basic Data, 2002–07 .....	47
2.	GDP by Sector at Current Market Prices, 2002–07 .....	48
3.	GDP by Sector at 2005 Constant Prices, 2002–07 .....	49
4.	GDP Deflator by Sector, 2002–07 .....	50
5.	Gross National Disposable Income and Savings at Current Market Prices, 2002–07 .....	51
6.	Output of Major Agricultural Products, 2002–07 .....	52
7.	Output of Basic Industrial and Mining Products, 2002–07 .....	53
8.	Gross Industrial Output at Constant Prices, 2002–07 .....	54
9.	Coal Mining Sector, 2002–07 .....	55
10.	Petroleum Imports, 2002–07 .....	56
11.	Electricity Sector, 2002–07 .....	57
12.	Employment by Sector, 2002–07 .....	58
13.	Ulaanbaatar Consumer Prices Index, 2002–07 .....	59
14.	Ulaanbaatar Consumer Price Inflation, 2002–07 .....	60
15.	Retail Prices, 2002–07 .....	61
16.	Privatization of State-Owned Enterprises, 2001–07 .....	62
17.	Government Average Wages, 2002–07 .....	63
18.	Summary Operations of the General Government, 2002–07 .....	64
19.	General Government Revenue, 2002–07 .....	65
20.	General Government Expenditure, 2007–07 .....	66
21.	General Government Expenditure by Function, 2002–07 .....	67
22.	General Government Social Expenditure, 2002–07 .....	68
23.	Subsidies and Transfers, 2002–07 .....	69
24.	Social Security and Social Assistance Funds, 2002–07 .....	70
25.	Number of Social Security Beneficiaries, 2002–07 .....	71
26.	Government Employment and Wage Bill, 2002–07 .....	72

27.	Expenditure of the Health Sector, 2002–07 .....	73
28.	Expenditure of the Education Sector, 2002–07 .....	74
29.	Monetary Survey, 2002–07 .....	75
30.	Balance Sheet of the Bank of Mongolia, 2002–07 .....	76
31.	Consolidated Balance Sheet of Commercial Banks, 2002–07 .....	77
32.	Distribution of Bank Credit to the Nongovernment Sector, 2002–07 .....	78
33.	Net Credit to Government, 2002–07 .....	79
34.	Interest Rates, 2002–07 .....	80
35.	Financial Soundness Indicators for Banking Sector, 2002–07 .....	81
36.	Balance of Payments, 2002–07 .....	82
37.	Commodity Composition of Exports, 2002–07 .....	83
38.	Commodity Composition of Imports, 2002–07 .....	84
39.	Direction of Trade, 2002–07 .....	85
40.	Services and Income Accounts, 2002–07 .....	86
41.	Medium-and Long-Term Loan Disbursements, 2002–07 .....	87
42.	Short-Term Capital Flows, 2002–07 .....	88
43.	External Debt and Debt Service, 2002–07 .....	89
44.	External Debt Stock by Creditor, 2002–07 .....	90
45.	Official Reserves of the Bank of Mongolia, 2002–07 .....	91
46.	Selected Indicators of Commercial Bank Foreign Exchange Operations, 2002–07 .....	92
47.	Nominal Exchange Rates, 2002–07 .....	93

# I. THE FISCAL REGIME FOR THE MINING SECTOR IN MONGOLIA<sup>1</sup>

## A. Introduction

1. **Mongolia's mining sector has been a major contributor to economic growth and development.** The main minerals produced are copper, gold and coal, although other minerals, including iron, zinc and molybdenum, are also being mined (Cakir and Klemm, 2007). Thanks in part to the continued sharp run-up in prices of copper and gold, the mining sector accounted for 27½ percent of GDP and 64 percent of export earnings in 2007, while revenues from copper, gold and coal mining made up 36½ percent of total budget revenue. However, despite its overall economic importance, the mining sector accounts for only about 4 percent of the labor force, due to its highly capital intensive nature.

2. **While the importance of the mining sector partly reflects high prices, the volume of Mongolia's mineral resources is huge, and the mining sector should continue to play a key role in Mongolia's economic development, even if prices were to decline to more normal levels.** Among the economically most significant mineral deposits under development, but not yet fully exploited, are Oyu Tolgoi (OT) copper/gold deposit (Ivanhoe Mines, 2005 and 2007) and two coal deposits in Tavan Tolgoi and Baganuur.<sup>2</sup>

Mongolia: Mining Sector's Contributions to GDP, Revenue and Export					
	2004	2005	2006	2007 Est.	2008 Proj.
	(In percent)				
Mineral GDP					
Real growth	34.3	10.9	6.3	1.7	1.4
Share in nominal GDP	17.0	21.9	29.9	27.4	24.7
Mineral Revenue					
Share in GDP	3.7	4.0	10.5	14.7	13.6
Share in total government revenue	11.2	13.3	28.6	36.3	31.8
Mineral Export					
Share in total export value	63.7	70.7	70.4	64.0	63.9
Of which : copper	32.6	30.5	41.1	41.6	38.7
gold	27.5	31.0	17.5	12.0	15.7

Sources: Mongolian authorities; and Fund staff estimates.

3. **Designing a fiscal regime for the mining sector presents a number of special challenges.** Mineral resources are nonrenewable, and a fundamental tension exists between mining companies and governments over the division of risk and reward of mineral development. For this reason, the fiscal regime for the mining sector should aim for the government to receive the greatest possible value for its resources and, at the same time, to ensure international competitiveness of the sector to attract potential investors. By balancing these two objectives, Mongolia's mining sector could provide large financial resources to help address its daunting economic challenges, including still widespread poverty and the need for economic diversification.

<sup>1</sup> Prepared by Daehaeng Kim.

<sup>2</sup> The development of the OT mine is currently delayed due to the slow progress in the negotiation and Parliament's ratification for the Investment Agreement between the license holder and the government. The Investment Agreement is the first major attempts under the new Minerals Law (2006).

4. **This paper illustrates the impact of a fiscal regime on the composition, the share and the sensitivity of government revenue from a copper/gold mining project.** The analysis is based on the development of a copper and gold mine with characteristics broadly similar to the OT project under the minerals tax regime in place at the end of 2007 (Open Society Forum, 2007). The results indicate that, while the overall tax burden is reasonable under general circumstances, the marginal burden for the copper and gold mining sectors appears to be high by international standards, particularly, if minerals prices remain above the thresholds for the windfall profit tax. The paper also suggests that the resource rent tax could be a better alternative to the windfall profit tax and state equity participation. The rest of the paper is organized as follows. Section B provides an analysis on the current fiscal regime for Mongolia's mining sector. It also discusses the expected budget revenue from the project under the current tax regime, the mineral price sensitivity of the revenue, and the effectiveness of the current regime in terms of the progressiveness. Section C compares the current fiscal regime in Mongolia with one in other major copper producers and proposes alternative regimes for Mongolia. The last section concludes.

## **B. Modeling the Fiscal Regime for a Copper/Gold Mine**

### **The Fiscal Regime for the Mining Sector**

5. **The current fiscal regime for the mining sector is governed by the Minerals Law and various tax laws.** The direct taxes under the regime include a royalty, a corporate income tax (CIT), withholding taxes (WT), and the windfall profit tax (WPT), which applies to copper and gold sales. There are also certain fees, including exploration and mining license fees, but these are of less importance. The indirect taxes applicable to the mining sector include import duties and value-added tax (VAT). The specific tax rules under the regime are as follows:

- **Royalty.** The Minerals Law sets the royalty rate for all metals at 5 percent of the sales value. A 2½ percent royalty rate applies to coal and other common minerals sold in the domestic market or used for power generation.
- **Corporate Income Tax.** The CIT is levied at a rate of 10 percent on the first Tog 3 billion of taxable income (about US\$2.6 million at the current exchange rate) and 25 percent on the excess over the threshold. The CIT law also includes a loss carry-forward provision, under which operating losses can be carried forward two years. The amount of the loss that can be deducted against taxable income in each of two succeeding years cannot exceed 50 percent of that year's taxable income.
- **Withholding Tax.** The Mongolian CIT law imposes a 20 percent WT on certain payments to nonresidents, including dividends, royalty, loan interest, leasing interest, and income from management expenses. However, this tax rate can be reduced by treaty; for example, the tax treaty with Canada provides that the WT on dividends paid to a Canadian company can be reduced to 5 percent.

- **Windfall Profit Tax.** The WPT was introduced in June 2006 to capture a higher share of the revenues accruing to copper and gold mining companies from high export prices. The tax, which is modeled after the Russian oil export tax, is imposed on sales of gold and copper ore/concentrate extracted in Mongolia.<sup>3</sup> For copper concentrate, the tax is levied at a rate of 68 percent on the difference between actual copper prices in the London Metal Exchange and the sum of a base price (set at US\$2,600 per ton) and smelting costs (estimated to be US\$1,580 per metric ton in 2006). For gold, the same rate applies to the difference between the Bank of Mongolia's gold price and the base price (set at US\$500 per ounce of gold).<sup>4</sup> The WPT is deductible for purposes of the regular income tax, and the base prices are not indexed.
- **Import Duties.** Mongolia has a single import duty rate of 5 percent. However, the customs law provides a number of exemptions, including an exemption for technological equipment and heavy machinery imported by foreign investors for use in priority sectors and export-oriented industries. The mining sector can benefit from this provision.
- **Value-Added Tax.** The current VAT law became effective from January 1, 2007, which reduced the VAT rate from 15 to 10 percent and eliminated a number of exemptions, including the exemption for capital goods imports for use in export-oriented industries. The mining sector is now treated for VAT purposes on par with other importers. As mining companies in Mongolia export most of their output and exports are zero-rated, they are in a VAT refund situation.

6. **The Minerals Law allows for state equity participation in commercial mining projects and stability agreements between mining license holders and the government of Mongolia (GOM).** The law provides that the GOM may take up to a 50 percent equity interest in a project that was identified through state funds, and up to a 34 percent equity participation in other projects.<sup>5</sup> From the legislation, however, it is not clear whether and how the GOM should compensate mining license holders for its equity acquisition. The Minerals Law also allows mining companies to enter into an Investment Agreement with the GOM to ensure a stable operational environment, when their investment during the first 5 years

---

<sup>3</sup> Currently, all WPT on copper is collected from the Erdenet copper mine, which produces only copper concentrate. The Mongolian government owns 51 percent of the company, and the Russian government owns the rest. In contrast, WPTs on gold are mostly collected from several small gold mines, which accounted for about 4-5 percent of the total WPT revenue in 2006. The largest gold mine—Boroo—is exempted, as it is covered by a stability agreement with the government made under the 1997 Minerals Law.

<sup>4</sup> The *WEO* price projections for 2008, available in March 2008, are US\$7,000 per ton of copper and US\$960 per ounce of gold.

<sup>5</sup> The rules for the state equity participation are currently under review in Parliament, and the ceiling for the state equity share would likely be lifted.

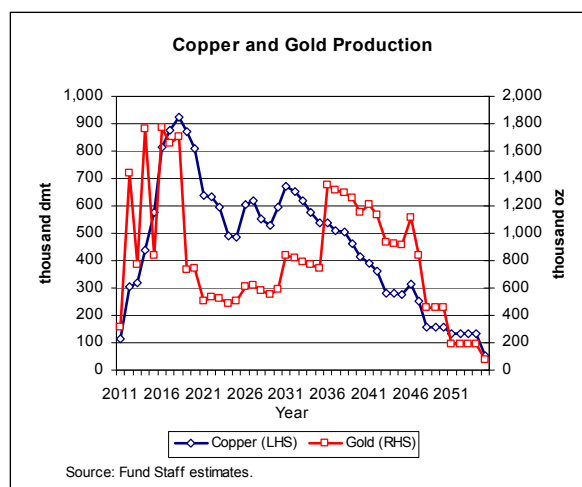


exceeds US\$50 million. The duration of the stability agreement depends on the amount of the initial investment, with the maximum of 30 years.

7. **Tax rules for cost recovery, which are important factors to determine the attractiveness of the fiscal regime, are stipulated in the Minerals Law and CIT Law.** The Minerals Law provides that all costs incurred for exploration and mine development shall be amortized on a straight-line basis over the terms of mining license (for license fees) or 5 years beginning in the year production starts (for other exploration and development costs). Under the CIT law, most assets acquired as the result of incurring capital expenditure will be considered depreciable properties, and the cost of depreciable assets is recovered on the straight-line basis over their useful lives set by the law. To limit excessive use of debt (i.e., thin capitalization), the CIT law denies a deduction of interest expense on debt in excess of a 3:1 debt/equity ratio.

### The Copper/Gold Mining Project

8. **The project simulated in this paper is assumed to produce total 20½ million dry metric tons (dmt) of copper and 37 million ounces of gold over 45 years of the projected mine life.** Assuming the mine development starts in 2008, copper and gold will come on stream from 2011. Annual copper production will reach the peak at 924 thousand dmt in 2018 and then gradually decline thereafter. Annual gold production will reach the peak at 1,768 thousand oz. of gold in 2016 and then remain low until it bounces back in 2036. The total exploration and investment costs over the mine life are estimated to be US\$7.7 billion.<sup>6</sup> The financing need to cover initial investment and operating losses, before net cash flow of the project turns positive, is estimated to be US\$2.7 billion.



9. **The base case simulation uses the *World Economic Outlook (WEO)* copper and gold price projections until the last year of *WEO* projection (2013), and then assumes constant prices in real terms thereafter.<sup>7</sup>** The average prices over the mine life are assumed to be US\$3,084 per dmt of copper and US\$940 per oz. of gold. The average treatment and refinement costs (TC/RC) are estimated at US\$138 per dmt of concentrate, and the average

<sup>6</sup> Throughout the paper, US\$ refers to constant 2007 U.S. dollars, unless otherwise indicated.

<sup>7</sup> *WEO* price projections published in March 2008 are used throughout the paper.

operating costs excluding depreciation are estimated at US\$261 per dmt of concentrate. These costs are assumed to be independent of copper and gold prices.

Modeling Assumptions		
Total production of concentrate	66.4	million dmt
Total copper content in concentrate	20.5	million dmt
Total gold content in concentrate	36.9	million oz
Average price of		
Copper	3,084	constant US\$ per ton of copper
Gold	940	constant US\$ per oz of gold
Treatment and refinement costs	138	constant US\$ per ton of concentrate
Operating costs including depreciation	261	constant US\$ per ton of concentrate
Years of initial development	3	years
Years before positive cashflow	4	years
Over which: total financing required	2.8	billion constant US\$
Sources: Mongolian authorities; and <i>IMF World Economic Outlook</i> .		

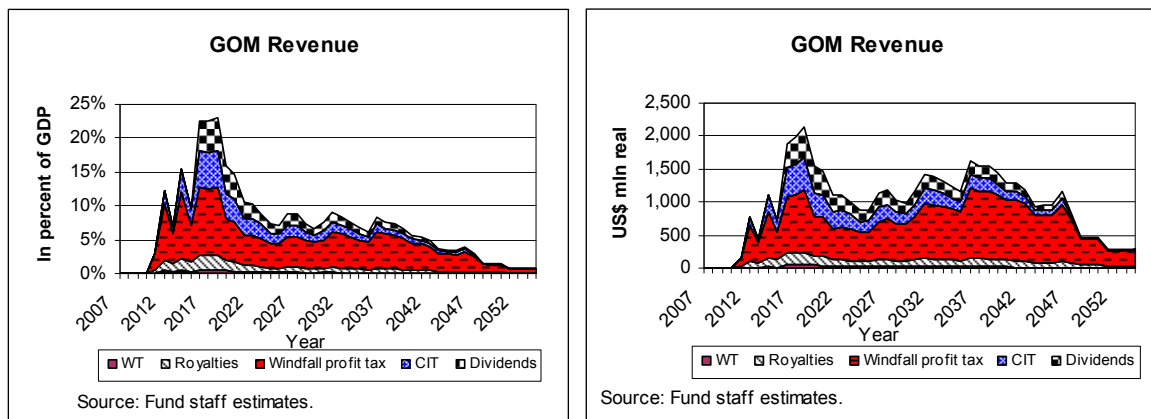
## Project Cash Flow and Government Revenue

10. The simulation indicates that net cash flow amounts to US\$60 billion, from which the GOM receives US\$47 billion.<sup>8</sup> The project appears to be very profitable as the post-tax internal rate of return (IRR) stands at 21 percent. Discounted at 10 percent per year, the net present value (NPV10) of the project is estimated to be US\$9.7 billion, of which the GOM's share amounts at US\$8.1 billion. The GOM is estimated to receive 60 percent of "total benefits", which is twice as much as the 2007 nominal GDP (US\$3.9 billion).<sup>9</sup>

Cashflow and GOM Revenue				
Pre-tax IRR (in percent)	real	33		
Post-tax IRR (in percent)	real	21		
Discount rates (in percent)		0	5	10
Project's NPV	US\$ mln	59,632	21,702	9,723
Lender's NPV	US\$ mln	775	172	-187
Investors' NPV	US\$ mln	12,075	4,454	1,790
GOM NPV	US\$ mln	46,781	17,076	8,120
Total benefits	US\$ mln	67,373	26,690	13,547
		(in percent)		
GOM share in total benefits (in percent)	real	69	64	60
Of which: WPT				31
CIT				12
Dividends				9
Royalties				6
Source: Fund Staff estimates.				

<sup>8</sup> The model assumes that the GOM will take a 34 percent equity interest at the beginning of the project development, and it will be responsible for a third of future equity financing if it wants to keep the same share. The model makes an additional assumption on the government cash contribution: private partner(s) finances the GOM's cash requirements, and the GOM pays for its equity (plus interest on the carry) out of its share of dividends. The interest rate of LIBOR+3.3 percent applies to the debt. If the project never earns sufficient profits for the GOM to pay for its carried interest, the GOM would not be liable for the unpaid debt (nonrecourse loan).

11. **The annual GOM revenue from the mine is estimated to reach its peak at 23 percent of GDP in 2018 (US\$2.15 billion) and decline thereafter.** The analysis also shows that the WPT revenue is the largest contributor to the GOM revenue, followed by CIT, dividends and royalties (in that order). While the WPT was introduced to capture windfall profits accruing to copper and gold mining companies from high export prices, it has several weaknesses as an additional revenue sharing measure (see Section C, for details). In particular, the unindexed base prices for deduction (US\$2,600 per dmt of copper and US\$500 per oz. of gold) could arbitrarily increase tax burdens in an inflationary situation, unable to allow for reasonable returns for investment or cost recovery.<sup>10</sup>



### Progressiveness of the Current Fiscal Regime

12. **The project appears to generate significant economic returns for both GOM and investors under reasonable price assumptions.** To assess the sensitivity of the projected IRR, a conventional measure of the profitability of a business plan, we show the GOM's shares in total benefits discounted at 10 percent (TB10) and the IRRs of the project under different copper price assumptions.<sup>11</sup> The post-tax IRR would reach 20 percent, which is often thought as a threshold for a reasonable return in the mining sector, with the average copper price of US\$2,775 per ton (US\$1.26 per pound) and the average gold price of US\$940 per ounce. However, the post-tax IRR does not increase as fast as either copper prices or pre-tax IRR, due to the progressiveness of the tax regime currently in place.

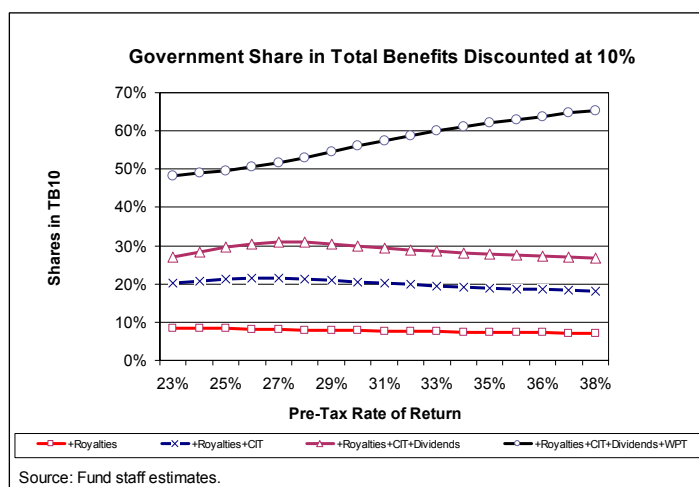
<sup>9</sup> Total benefits are conventionally defined as gross revenues less operating costs and replacement expenditures, which signify the amount available to pay taxes, service debt and reward investors. Due to data unavailability, however, total benefits are defined in this study as gross revenues minus operating costs.

<sup>10</sup> This is the main reason why the WPT share in total GOM revenue increases over time in the model.

<sup>11</sup> There are various factors that could affect pre-tax IRRs, including investment and operating costs. In this paper, we consider price-induced profitability changes only.

Copper price (US\$/ton)	1,850	2,159	2,467	2,775	3,084	3,392	3,701	4,009	4,317
Pre-tax IRR (in percent)	25	27	29	31	33	35	36	38	39
Post-tax IRR (in percent)	16	18	19	20	21	22	22	23	24
GOM share (in percent)	50	52	54	57	60	62	64	65	67

13. **This analysis shows that the current fiscal regime for Mongolia’s mining sector is progressive, due mostly to the WPT.** Royalties, import duties and WT for dividends and interest earnings are regressive (“+Royalties” in the graph). While the addition of CIT and dividend revenues make the system progressive until the pre-tax IRR reaches 28 percent (copper price, US\$2,313), these revenues are regressive in a wider range of IRRs, mostly because highly progressive WPTs are treated as a deduction in calculation of CIT and dividends.<sup>12</sup> Overall, the total GOM share in TB10 increases from 50 percent when copper price is US\$1850, (pre-tax IRR is 25 percent) to 65 percent when copper price is US\$4,009 (pre-tax IRR is 38 percent).



### C. International Comparisons and an Alternative Tax Regime

#### International Comparisons of the Fiscal Regime

14. **The general tax regime for Mongolia’s mining sector, which does not include special provisions on the WPT, appears to be reasonable.** While Mongolia’s 5 percent royalty rate for minerals is somewhat high by international standards, the tax burden is broadly in line with those in other countries (Marginal Effective Tax Rate (METR) without WPT is 32.3 percent), given the 25 percent income tax with liberal capital cost recovery. However, the WPT could increase the marginal tax rate on the additional income from a dollar increase in copper and gold prices substantially (to around 81 percent), in particular, with the relatively low base price for the WPT (fixed in nominal terms at US\$2,600 per dmt).<sup>13</sup>

<sup>12</sup> As prices rise beyond a certain level, the WPT payment erodes the bases for CIT and dividends payable to the GOM.

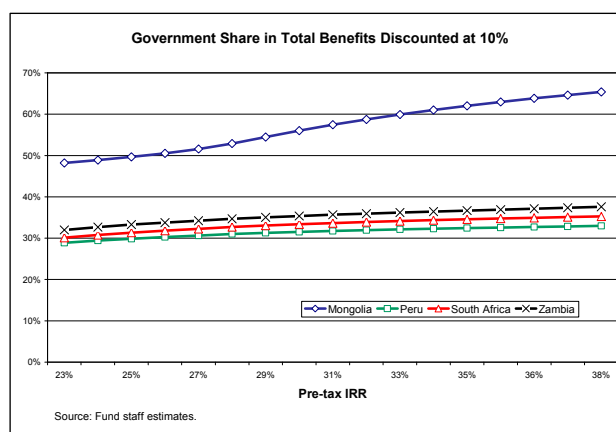
<sup>13</sup> The government’s desire to take an equity position in projects would also reduce the competitiveness of Mongolia’s fiscal regime, while its effect is difficult to quantify.

International Comparisons: Marginal Effective Tax Rate (METR)					
	Mongolia	Peru	South Africa	Zambia 1/	Australia
In percent					
Royalty	5.0	3.0 2/	2.0 3/	3.0	2.5 4/
WPT	68.0	8.0 5/	0.0	50.0 6/	0
CIT	25.0	32.0 7/	30.0 8/	30.0	0.3
Withholding Tax on Dividends (DWT)	5.0 9/	4.1	12.5	15.0	0
METR without WPT	32.3	...	...	36.9	...
METR	80.8	34.3	40.0	72.0	31.8

1/ Effective from April 2008.  
2/ When annual revenue is larger than US\$120 million.  
3/ Based on the Dec 2007 draft royalty bill.  
4/ 2.5 percent for copper concentrate; and 5 percent for refined copper.  
5/ An 8 percent workers' profit sharing, which enters the tax calculation as a deduction, but is not part of marginal tax burden.  
6/ 25 percent when copper price is between US\$2.5 per pound (US\$5,510 per dmt) and US\$3.0 per pound; 50 percent for the next 50 cent; and 75 percent above US\$3.5 per pound.  
7/ Taxpayers shielded by a stability agreement should pay a 2 percent fee in addition to a 30 percent CIT.  
8/ Alternatively, variable income tax applies, where the tax rate depends on the ratio of taxable income to gross income.  
9/ While the DWT rate is 20 percent, it can be reduced by treaty. The Canadian Tax Treaty provides that the withholding tax on dividends paid to a Canadian company can be reduced to 5 percent. The reduced rate would be applied to the OT mine, which will be developed by a Canadian company, Ivanhoe Mines Canada.

15. **While the government share (TB10) under the current regime is found to be higher and more progressive than the comparator regimes, a careful interpretation is warranted.** In the entire range of pre-tax IRRs considered, the government share in

Mongolia is higher, and it grows at a faster rate than in other countries as the profitability increases.<sup>14</sup> However, it should be noted that these international comparisons are subject to a significant margin of error, given inherent difficulties in taking account of variations in mine quality, development and operating cost structure, and details of country-specific tax treatments, including



indirect taxes, cost recovery and exemption rules. In particular, the post-tax IRR, which indicates the financial attractiveness of a mine development project, is at a reasonable level despite the relatively high government share. Furthermore, the assessment made here is based on assumptions that cannot necessarily be extended to other mines and other minerals.<sup>15</sup> In this regard, a market test for competitiveness—whether a country can attract interest of international mining companies for exploration and development of its mining sector—could provide more comprehensive view on the mining sector.

<sup>14</sup> The average prices considered in this simulation range from US\$1,542 per dmt of copper to US\$4,009 per dmt. At this price range, Zambian WPT, which has relatively high trigger prices, would not be effective for most of period and price ranges under consideration.

<sup>15</sup> The high government share in the analysis is mostly driven by state equity participation and the WPT, which applies exclusively to copper and gold sales.

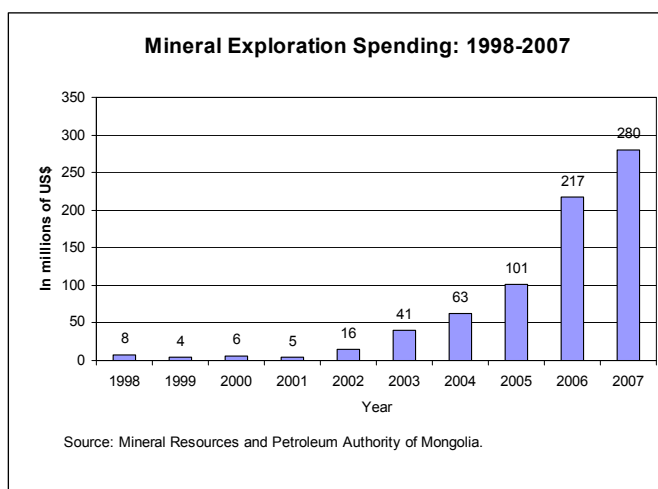
International Comparisons: Mining Sector Attractiveness Ranking						
	Year	Mongolia	Australia 1/	Chile	Peru	Zambia
Policy Potential Rank	2005-06	33/64	19/64	4/64	44/64	57/64
	2006-07	62/65	12/65	27/65	52/65	50/65
Mineral Potential Rank	2005-06	3/64	19/64	1/64	43/64	53/64
	2006-07	58/65	15/65	8/65	41/65	32/65

Source: Fraser Institute *Annual Survey of Mining Companies 2006/2007*.

1/ Average of 7 jurisdictions.

16. **The introduction of the WPT, the ongoing uncertainty over how the government will finance its equity stake in future mining projects, and questions about the stability of the mining regime over time have affected investors' perceptions about the attractiveness of the mining environment.** According to recent surveys by the Fraser Institute, the overall attractiveness of Mongolia's overall investment climate dropped from near the middle of the jurisdictions surveyed in 2005/06 to near the end of the list in 2006/07.<sup>16</sup> The survey's ranking of Mongolia's attractiveness for minerals exploration dropped from near the front to near the back of the jurisdictions.<sup>17</sup> Despite the concerns voiced by potential investors, however, actual mineral exploration spending has increased to US\$280 million in 2007.

17. **The attractiveness of Mongolia's mining sector could be enhanced with some modification to the current rules for the WPT and state equity participation.** While the recent changes in the fiscal regime raised concern about the stability and transparency of the business environment in Mongolia, the WPT also has several structural weaknesses as a revenue sharing



<sup>16</sup> See Fraser Institute (2007). The survey covers 65 jurisdictions around the world, on every continent except Antarctica, including sub-national jurisdictions in Canada, Australia, and the United States. Indexes for Mongolia do not take into account the possibility that the 20 percent dividend WT can be reduced by treaty.

<sup>17</sup> In particular, Mongolia is placed low in the areas of uncertainty concerning the administration, interpretation and enforcement of existing regulations; regulatory duplication and inconsistencies; tax regime; infrastructure; and socioeconomic agreements.

measure: it does not take into account costs<sup>18</sup>; the marginal tax rate is high; and the tax serves as a subsidy to build a domestic smelter and refinery.<sup>19</sup> To address these issues, if the WPT is retained, the rate could be reduced; the base could be adjusted annually by the change in the US GDP deflator; and the tax could apply to all copper sales. The Minerals Law should also clarify the terms and conditions of state equity participation to reduce the uncertainty over the mining fiscal regime.<sup>20</sup>

### **Alternative Revenue-Sharing Arrangement**

**18. An alternative tax instrument could be considered to share in the upside of the most profitable projects in a more efficient way.** The alternative would be more appropriate as an additional revenue sharing device, if it meets a number of important principles:

- It should not increase the risk to investors of absolute loss or significant delay in achieving a required rate of return;
- It should yield sufficient additional revenue for government in highly profitable projects, which reassures government and the public about the fairness of the fiscal regime, thus contributing to stability of the investment climate;
- It should be rule-based and transparent in operation and straightforward to administer;
- It should not require or encourage case-by-case negotiation.

Against this backdrop, the paper simulates the revenue implications of a resource rent tax (RRT)—a profit-based, progressive tax.<sup>21</sup>

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<sup>18</sup> This is the main reason why the WPT could be distortionary. According to the current rule, the WPT burden of a copper mining company would increase with copper prices even when its profit shrinks (or even disappears) due to cost increases. On the contrary, a highly profitable company would not be subject to the WPT if the profitability improvement results from cost reductions.

<sup>19</sup> While imposed on sales of copper ore and concentrate, the WPT does not apply to sales of domestically refined copper, which would create an incentive to build smelter and refinery.

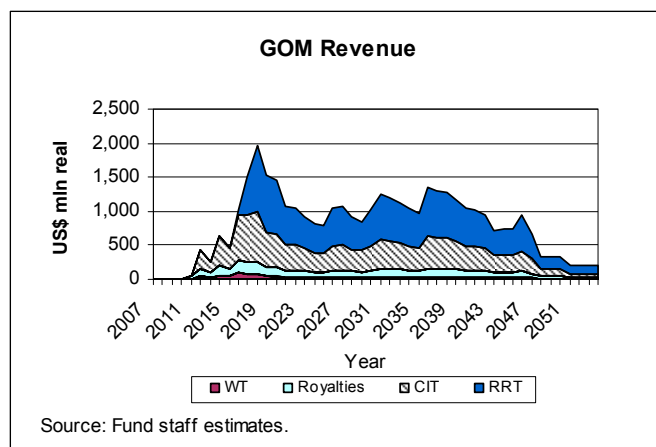
<sup>20</sup> Even in the government's point of view, state equity participation has several important shortcomings, including: (i) the government exposes itself to risk; (ii) taxation could be more effective in revenue maximization, in particular, given that dividends may never be paid; (iii) equity may require the government to divert funds that otherwise could finance other priority development projects; and (iv) there can be a conflict between the government's role as a shareholder and its role as a regulator.

<sup>21</sup> Staff understands that a production sharing agreement (PSA) is one of the alternative fiscal regimes that the government is examining, although it is not commonly used in the copper sector. The mechanics of production sharing are, in principle, straightforward: for example, the PSA can specify (i) the royalty payment to the government, (ii) a portion of total production to be retained by the contractors for cost recovery; and (iii) the formula to divide the remaining production, often termed "profit production", between the government and the

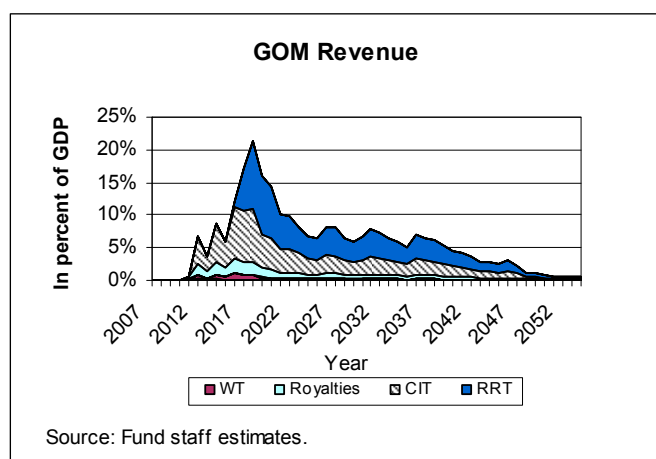
19. **When properly designed, the RRT can be more efficient than other additional tax alternatives, such as a variable income tax or excess profit tax based on Payback Ratio.** The main features of the RRT calculation are:

The RRT is a proportional tax on discounted cash flow returns to total project outlays, in excess of a predetermined percentage rate (also called “accumulation rate”).

- All capital and operating expenditure and other taxes, usually including exploration expenditure but not interest, are deducted from revenues in the current period; and the accumulation rate is applied to the balance of net negative cash outlays each year from the commencement of construction.<sup>22</sup>



- When the accumulated negative cash flows are fully offset by revenues, the positive balance of cash flow becomes taxable at the agreed or legislated RRT rate (normally no lower than the CIT rate).



- When the tax is paid in any year, the balance of accumulated cash flows is set at zero for the next year, so that the same cash flows are not taxed twice; net positive cash flow in the next year will again be taxed at the RRT rate. If the net cash flow is negative in the next year, the RRT would not be paid in subsequent years until accumulated negative cash flows are fully offset by revenues.

contractors. If the sharing of the profit production is based on the IRR earned by the contractors, the PSA can be designed to mimic the RRT regime.

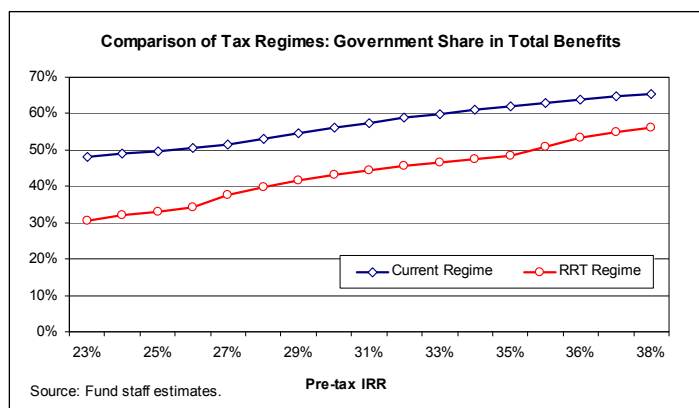
<sup>22</sup> The procedure here treats the CIT as a deduction in calculating the RRT. It is equally possible to calculate the RRT first and treat it as a deduction in calculation of income tax.



- The RRT is neutral with respect to the method of financing, because the accumulation rate, by representing an overall rate of return, covers both interest on debt and return to equity.

20. **The RRT is profit-based and takes direct account of the investor's required rate of return and the time value of money.** For this reason, it is unlikely to create distortions in investment, production and closing of a mine project, while capturing a significant share of economic rent for the government. However, the setting of the appropriate initial parameters for the accumulation rate and the tax rate is not simple, and the RRT requires the government to assume the risk of possible delays in revenues and capital (or operating) cost overruns.<sup>23</sup>

21. **The simulation indicates that the RRT regime is more progressive than the current regime while the overall tax burden is lower.** The model assumes that net positive cash flows in excess of 15, 25 and 35 percent accumulation rates—the cash flows exceeding those indicated by the rate of return of 15, 25 and 35 percent—are taxed at 25, 35 and 45 percent, respectively.<sup>24</sup> The model also assumes that there is neither the WPT nor state equity participation. Under the baseline assumptions used in Section B, the government share under the RRT regime is 47 percent of total benefits (TB10), and the RRT itself accounts for about 40 percent of NPV of government revenues. While this



government share is 13 percentage points lower than the share under the current regime, the differences in the government shares decline as the project becomes more profitable. More importantly, the RRT regime is unlikely to create distortions, since the tax base is strictly limited to the profits, more specifically, those exceeding the required rate of return.

## D. Conclusions

22. **Mongolia's vast mineral deposits, if properly managed, could provide large budgetary resources, which help address a wide range of its economic challenges.** The NPV of the project analyzed in this paper is over US\$9.7 billion or about 240 percent of the

<sup>23</sup> Despite these difficulties, Mongolia is thought to have appropriate administrative capacity to implement the RRT, given the recent progress in tax administration and enforcement.

<sup>24</sup> The choice of tax parameters such as accumulation rates and corresponding tax rates should be guided by policy objectives, and thus the parameters simulated here should be considered as an example, not the Fund's specific recommendation.

2007 GDP. Mineral revenues from such a project could provide large resources to finance essential economic reforms to alleviate widespread poverty and diversify the economy.

23. **The attractiveness of Mongolia's mining sector has been somewhat eroded in recent years, in particular, with the introduction of the WPT and state equity participation.** The structural weaknesses of the WPT, including high marginal tax rate and lack of cost consideration, adversely affected private investors' perception on the business environment in Mongolia's mining sector. Furthermore, the absence of clear provisions for state equity participation raised concern about the stability and transparency of the mining fiscal regime.

24. **Modifications to the mining regime could address some of these weaknesses, while providing significant returns for investors and revenues for the government.** Given the nonrenewable nature of mineral resources, it is important to ensure that the government will receive a fair share of the economic benefits from its mineral resource development. At the same time, to safeguard the mining sector's prospects, Mongolia should improve the current fiscal regime for the mining sector, including by rationalizing the additional revenue sharing measures, such as the WPT and state equity participation. In particular, the RRT, which is effective (progressive) and efficient (profit-based), could be considered as an alternative to the current revenue sharing measures.

25. **A comprehensive approach for enhancing mineral wealth management should also be taken to address various fiscal issues facing Mongolia.** International experience indicates that resource booms can lead to inefficient ad hoc spending decisions, which often undermine fiscal sustainability as well as macroeconomic stability, especially, in countries where the fiscal framework is unable to provide clear medium-term guidance for fiscal policy.<sup>25</sup> To address these challenges, Mongolia should establish an effective fiscal framework by taking into account various policy objectives, including fiscal sustainability, macroeconomic stability, and intergenerational equity.

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<sup>25</sup> Some countries borrowed heavily against their anticipated future revenues (e.g., Venezuela), while other countries granted large wage and social welfare spending increases (e.g., Nigeria) or implemented ambitious public investment projects, which turned out to be able to yield low economic rates of return (e.g., Algeria and Iran). For details, see Wakeman-Linn and others. (2004).

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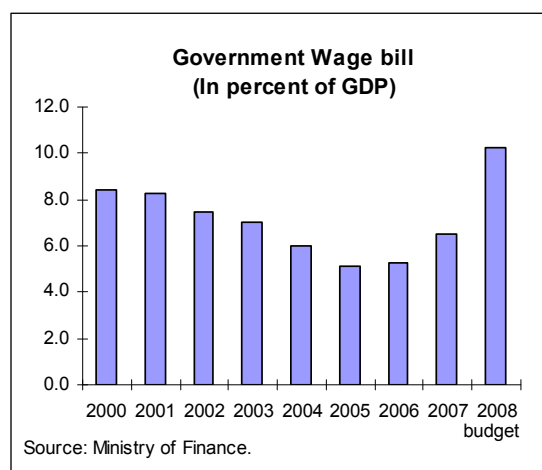
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## II. GOVERNMENT EMPLOYMENT AND WAGES IN MONGOLIA<sup>26</sup>

### A. Introduction

26. **The public sector in Mongolia has undergone substantial changes since the early 1990s.** In light of Mongolia's transition from a centrally planned command system to a market-based economy, the public sector's role in the economy has declined significantly. Accordingly, total government spending has declined from 52½ percent of GDP in 1993 to 34½ percent in 1997, accompanied by large reductions in the civil service workforce (13.4 percent of the civil service or 21,145 civil servants). Major public administration and civil service reforms undertaken in the early 1990s centered on establishing legal and policy frameworks for the state structure. During 1993–2000, the focus shifted to the creation of a professional civil service capable of implementing state policies, and since 2000, strengthening institutional capacities and efficiency has become a major challenge for the civil service of Mongolia.

27. **Despite the reforms, the size of the civil service in Mongolia remains large, its composition skewed in favor of support staff, and wage scales highly compressed.** Moreover, according to the 2008 budget, total wage spending by the general government is expected to reach 10.3 percent of GDP in 2008, which is very high in comparison with other countries. This very high wage bill, together with other rapidly rising expenditures, raises concern about fiscal sustainability over the medium term.



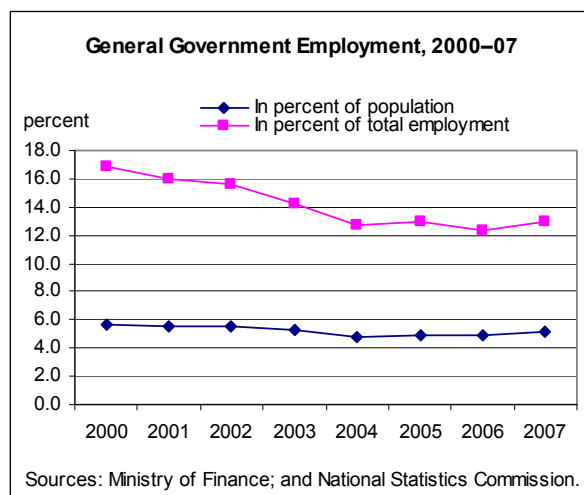
This paper examines the recent government employment and wage developments, as well as the government's efforts to reform the civil service, and suggests some policy options in the period ahead.

### B. Recent Trends in Government Employment and Wages

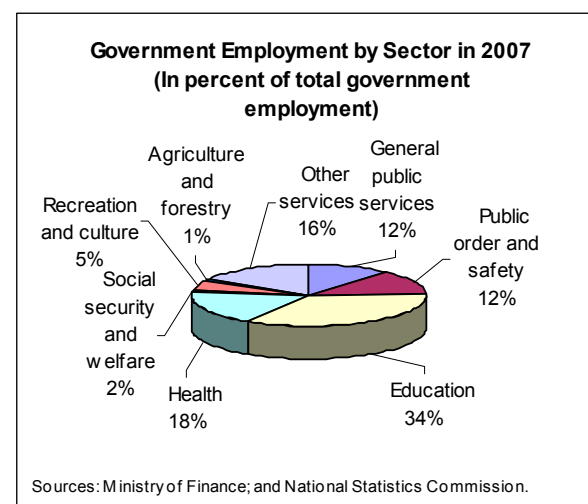
28. **Mongolia's civil service is relatively large.** Government employment as a percentage of total population has been relatively stable over the last 8 years, but the

<sup>26</sup> Prepared by Buyankhishig Khulan (IMF Resident Representative office in Mongolia) and Byung Kyoong Jang.

government employs a relatively large number of workers at the general government level—135,175 at end-2007, or 5.1 percent of the population and 13 percent of total employment. Internationally, general government employment relative to total employment and population averages around 11 percent and 4.7 percent, respectively, with large variations across countries. The size of the public sector in Mongolia partly reflects the costs of providing essential public services in a physically vast, sparsely populated country with insufficient infrastructure. About 60 percent of total government workforce belongs to local government.<sup>27</sup>



29. **The structure of the government employment by sector remained almost unchanged during 2000–07 with more than half of the government workforce employed in the health and education sectors.** According to Ministry of Finance (MOF) data, the total government workforce stood at 135,175 in 2007, of which 47,019 (35 percent) were employed in the education sector, 23,998 (18 percent) in the health sector, 16,353 (12 percent) in public order and safety, and 15,845 (12 percent) in general public services.



30. **There is a shortage of key technical staff, while there is an abundance of support staff.** The Government Service Law (2002) classifies the civil service into four categories: (i) political service (including parliamentarians, Cabinet members, and governors); (ii) administrative service (central and local government staff); (iii) special service (including court judiciary, police, defense, and foreign affairs personnel as well as management staff of

<sup>27</sup> 2007 Civil Service Census Report, p.12.

Composition of Civil Servants by Assignment (In thousands)					
	2003	2004	2005	2006	2007
Political service	2.6	2.6	2.6	2.7	2.6
Administrative service	8.1	9.3	9.7	9.9	10.5
Special service	22.1	22.9	23.6	24.1	25.5
Support service 1/	94.3	90.1	88.9	89.7	101.8
Of which : Grade I 2/	...	...	...	...	16.1
Grade II 3/	...	...	...	...	8.5
Grade III 4/	...	...	...	...	12.4
Grade VI 5/	...	...	...	...	30.5
Grade IV, V, VII-XIV	...	...	...	...	34.3
Total	127.1	124.9	124.8	126.4	140.4

Source: Government Service Council.

1/ The support service posts have 14 grades. Civil servants in higher grades are management of budgetary entities and other professional staff.

2/ Includes security guards, janitors, waiters, cleaners, ticket collectors, lift operators, and stokers etc.

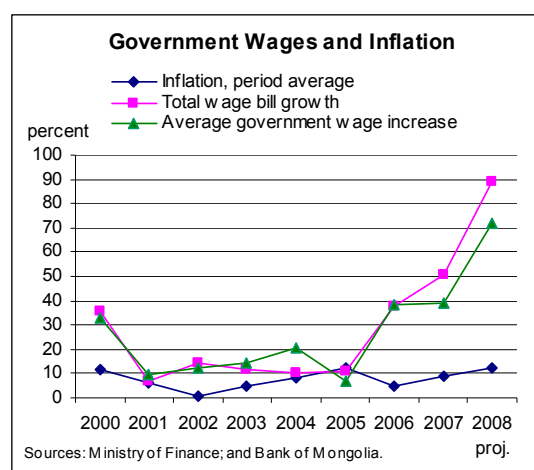
3/ Includes bookkeepers, operators, carpenters, typewriters, hairdressers, assistant kindergarten teachers, and librarians etc.

4/ Includes drivers, electricians, photographers, storehouse keepers, nurses, and choreographers at local cultural centers etc.

5/ Includes engineers, kindergarten and primary school teachers, accountants, and medical practitioners at health centers etc.

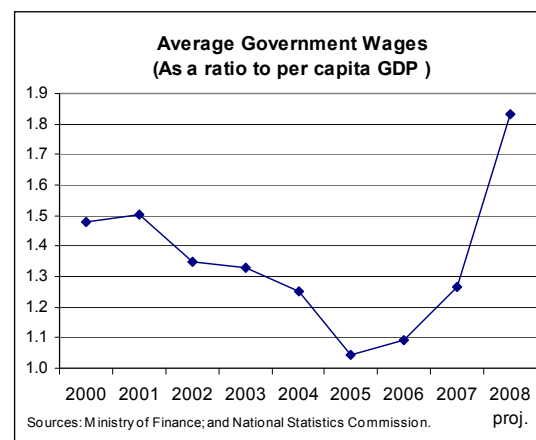
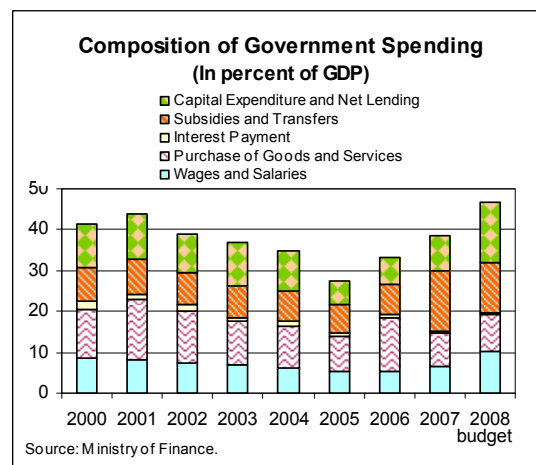
the central bank and statistics commission); and (iv) support service (including teachers, medical doctors, nurses, cleaners, research assistants, mechanics, librarians, drivers, and other administrative and executive posts of budgetary entities). During 2003–07, the number of political positions remained stable, while the number of support service, special service and administrative service posts increased by 7.9 percent, 15.3 percent and 29.6 percent, respectively. In terms of the composition of the civil service, 72.5 percent of government employees work in support service positions, while 7.5 percent and 18.1 percent work in administrative and special service positions, respectively. And 1.9 percent or 2,600 employees hold political positions within the government. The large number of support service employees suggests that there may be scope for efficiency improvements, or possibilities to contract out these services to the private sector.

31. **The government wage bill has been rising rapidly in recent years and is very high, compared with other countries.** The government wage bill increase was lower than GDP growth during 2001–05, but since then the wage bill has started rising very rapidly, reaching 89 percent in 2008, which has led to very rapid increases in the civil service's real wage in recent years. The improved fiscal situation, reflecting rising mineral revenues due to very high commodity prices, has enabled the government to grant large wage



increases since 2006. The wage bill as a share of total government spending had declined substantially from 20 percent in 2000 to 16 percent in 2006. Reflecting very high wage increases in the last two years, however, total wage spending by the general government is expected to reach 10.3 percent of GDP or 21.8 percent of total government spending in 2008. These ratios compare to 5.3 percent of GDP and 20.0 percent of total spending in Asian countries, and 3.9 percent and 12.6 percent in Eastern European and Central Asian countries. If not resisted, pressure to further increase wages rapidly could risk fiscal sustainability over the medium term.

**32. The average government wage level had been for many years below the national average, but the trend has reversed since 2006.**<sup>28</sup> The recent wage survey conducted by the National Statistics Commission (NSC) shows that in 2007 the average monthly general government wage surpassed the national average wage of Tog 173,000 (US\$148) by a small amount,<sup>29</sup> while the average wage of state-owned enterprise (SOE) employees was much higher than the national average. Although bringing the average wage of civil servants in line with the national average helps attract and retain qualified staff in the civil service, the rapid increases in public sector wages in the last two years appear to have started putting upward pressure on private sector wages (especially for the same types of jobs in the health and education sectors), adding to inflationary pressure.



<sup>28</sup> No official data on the private sector wage level are available. However, the National Statistics Commission conducts a sample survey on average wages and salaries on a quarterly basis. This survey reports on the national average wage level and average wage levels of different economic entities classified by type of legal status and ownership. The latest survey covered around 1,035 economic entities and 172,900 employees.

<sup>29</sup> The average civil servants wage was on average 2.4 times the minimum wage level and 3 times the minimum pension level for 2000–08. The minimum pension has increased from Tog 16,000 (US\$15) a month in 2000 to Tog 81,000 (US\$69) in 2008 and the minimum wage from Tog 18,000 (US\$17) in 2000 to Tog 108,000 (US\$92) in 2008.

Average Monthly Salary, 2003–07 (In thousand togrogs)					
	2003	2004	2005	2006	2007
National average	81.5	93.1	101.2	127.7	173.0
SOEs	93.6	114.4	140.1	157.3	200.5
Unlimited company	97.2	104.6	120.2	140.1	157.9
Limited liability company	72.3	80.7	90.1	114.5	168.7
Cooperatives	43	53.2	62.9	85.2	139.1
Fully responsible partnerships	82.5	72.7	63.6	86.4	117.7
Partly responsible partnerships	57.1	60.5	68.4	84.8	106.6
Budgetary entities	71.4	85.9	96.9	124	173.8
NGOs	63.8	86.9	90.2	81.2	135.2
Local government owned enterprises	...	...	...	131.6	135.1
General government wage	73.7	89.1	94.9	131.1	182.7

Sources: Ministry of Finance; and National Statistics Commission.

33. **The pay scale has been highly compressed.** The ratio between the highest and lowest salary during 2004–07 remained very low at 2.7, which is well below Thailand (14.4), Philippines (9.5), and Cambodia (5.5), but above Indonesia (2.0). A closer look at the classification categories and even at the grade level within each classification shows that the salary scales were even more compressed. With this highly compressed pay scale, it is difficult to attract and retain qualified staff in the civil service. Therefore, in January 2008 the government increased the compression ratio to 3.4.<sup>30</sup> The compression ratio in other countries ranges from 3 to 20, with a norm of about 7.<sup>31</sup>

Civil Service Wage Compression Ratio (In togrogs)			
	Minimum wage	Maximum wage	Compression ratio
September 22, 1999	19,800	66,124	3.3
October 17, 2001	19,800	85,155	4.3
September 18, 2002	32,700	100,500	3.1
February 18, 2004	40,000	108,000	2.7
May 25, 2005	43,000	116,100	2.7
February 8, 2006	55,900	150,930	2.7
June 28, 2006	64,956	175,381	2.7
January 1, 2007	77,947	210,457	2.7
October 1, 2007	101,331	273,594	2.7
January 1, 2008	139,125	470,548	3.4

Source: Ministry of Social Welfare and Labor.

<sup>30</sup> Wages for high-ranking political positions (such as President, Prime Minister, Members of Parliament, Ministers, Vice Ministers, Chief Judge of the Supreme Court, Chairman of the Civil Service Council, and Aimag and Soum Governors) are not included. If included, the compression ratio in 2008 reaches 7.9.

<sup>31</sup> Schiavo-Campo, Salvatore, and others (1997).



34. **Despite some progress being made, the system of allowances, rewards and incentives is very complex and often inconsistently applied across sectors and agencies.** Thus, it is rather difficult to quantify its impact on total pay and the budget. Each sector has its own regulation endorsed by Parliament or the government for determining bonuses. In 2007, the government took steps to incorporate bonus payments for education and health sector employees in their base salaries, but further effort is needed to set a common rule for determining allowances and/or bonuses and improve the linkage between pay and performance. Other countries' experience shows that a base pay to total pay ratio fluctuates between 80-100 percent.

Supplementary Payment by Government Post	
Classification of government posts	Total amount of supplementary payment (percent of base pay)
Political service	40-45
Administrative service	25-75
Special service	15-159
Anti-corruption office staff	60-115
Court judges	55-90
Prosecutors	48-88
Constitutional Court member	15-40
Human Rights National Commission	53-80
Central Intelligence Agency	58-147
Police	40-159
General Department for Implementation of Judicial Decisions	41-144
Customs Office	55-100
Defense	40-112
Support service	20-70
Science	20-45
Tertiary education	15-50
Primary and secondary schools	43-70
Health	30-70
Culture and art	28-40
Others	40-55

Sources: Ministry of Finance; and Ministry of Social Welfare and Labor.

### C. Key Policy Developments

35. **After a long delay in implementing the medium-term Civil Service Reform Strategy (CSRS) adopted in early 2004, the government finally approved an action plan for the CSRS in July 2007.** The action plan envisages a number of specific actions in line with four main strategic objectives outlined in the CSRS (Box II.1). These actions, among others, include (i) introducing open, competitive selection processes for senior civil servants, (ii) establishing a civil service Human Resource Management Information System (HRMIS), and (iii) modernizing the remuneration system for civil servants by making it more responsive to labor market conditions and more performance-based. Another important measure is to develop a Wages Expenditure Control Model, which will facilitate costing exercises of planned salary increases.

**Box II. 1. Medium-Term Civil Service Reform Strategy**

Mongolia's key civil service reform policies call for:

- strengthening the strategic planning and performance management capacities of state and budgetary entities;
- improving civil service human resource management;
- ensuring the optimal size of the civil service; and
- modernizing the remuneration system for civil servants.

Source: *Medium-term Civil Service Reform Strategy*, Mongolia.

36. **The government has started taking some steps to address deficiencies in the current wage system.** Major deficiencies identified by the government earlier were: (i) a low level of civil service wages, (ii) a very low compression ratio between the management and operational positions, (iii) inappropriate pay scales for support service staff that are not in line with their specialization, and (iv) outdated classification and ranking of posts. With a view to eliminating distortions in the pay scale, in 2007 the government revised the job description for civil service posts of each classification and ranking, and improved the classification and ranking of posts in each sector by revising titles and functions of public service posts. The government also revised the minimum pay scales for support service posts to have six different sub-scales for science, vocational education, primary and secondary education, health, culture and arts, and common services. In this connection, the supplementary payments for employees in the education and health sectors were also incorporated in the base salary.

37. **The compression ratio was also raised to bring it closer to international standards.** The compression ratios of public administration and support service posts were increased from 2.4 to 2.9 and from 2.4 to 3.1, respectively. To provide incentives to high-ranking officials, the government doubled the wages of state high-ranking positions and staff at the court and prosecutor's office.

38. **The Government Service Council (GSC) has successfully implemented functional reviews of three key ministries and a Civil Service Census in late 2007 (Box II. 2).**<sup>32</sup> The database of the Civil Service Census will be used as a baseline for a new HRMIS, which will be essential for improving personnel management. The functional reviews carried out in the Ministry of Social Welfare and Labor, the Ministry of Education, Culture and Science, and the Ministry of Finance analyzed the functional implications of the

<sup>32</sup> The Census was conducted with support of the World Bank's Governance Assistance Project (GAP).

government's policy priorities and identified needs for combining and shifting some functions to other ministries.

#### **Box II. 2. Main Findings of the 2007 Civil Service Census**

The Census counted 140,359 civil servants working in 4,001 budgetary entities at end-2007. Also, 112 self-financed organizations with 4,247 employees were covered in the Census. Main findings of the Census include:

- high levels of rotation and net growth of total numbers of government employees;
- absence of gender balance in higher government positions;
- weak human capital development;
- excessive employment in support services and in general government functions; and
- need for strengthening of human resource regulations and personal rules.

The Census also revealed some shortcomings of the current civil service employment, such as cases of two or more positions taken by the same person, permanent employment with temporary appointment, and neglect of taking an oath, etc. The Census report did not address a possible level of ghost workers or other types of payroll fraud.

Source: 2007 Civil Service Census Report, Mongolia.

### **D. Concluding Remarks**

39. **Spending on the civil service of over 10 percent of GDP is high in comparison with other countries, and continued further increases could raise concern about fiscal sustainability and the crowding out of other government expenditure.** The high wage bill mainly reflects the large size of government employment and the recent rapid real wage increases. The wage scale is highly compressed, and the composition of the civil service is highly skewed toward support staff.

40. **The Civil Service Reform Strategy adopted in 2004 needs to be fully implemented.** The government has recently started taking important steps, including approving the Action Plan for the CSRS and completing a Civil Service Census and functional reviews of three key ministries. More needs to be done in the period ahead to rationalize the level of the civil service and increase the quality of services delivered. In this regard, the following could be considered: (1) imposing a partial freeze on new employment—allowing only selected strategic staffing in key civil administrative positions; (2) making the HRMIS fully operational to improve the database on civil service employment; (3) further improving coordination between the MOF, the Ministry of Social Welfare and Labor, and the GSC in order to effectively implement the CSRS; (4)

promulgating a law on contracting out government services, a draft of which has been already prepared for internal discussion, and amending the Government Service Law to create a professional civil service with transparent rules for employment; and (5) formulating a fiscally affordable compensation and severance policy that is consistent with the CSRS to streamline the civil service, and integrating civil service reforms into medium-term budget frameworks.

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### III. SAVINGS AND CREDIT COOPERATIVES IN MONGOLIA<sup>33</sup>

#### A. Introduction

41. **Mongolia's financial system consists of 16 commercial banks and 369 nonbank financial institutions, including 182 licensed savings and credit cooperatives (SCCs), 15 insurance companies, and 35 security companies.** The banking sector dominates the financial sector, holding 96 percent of the financial system's total assets at end-2007.

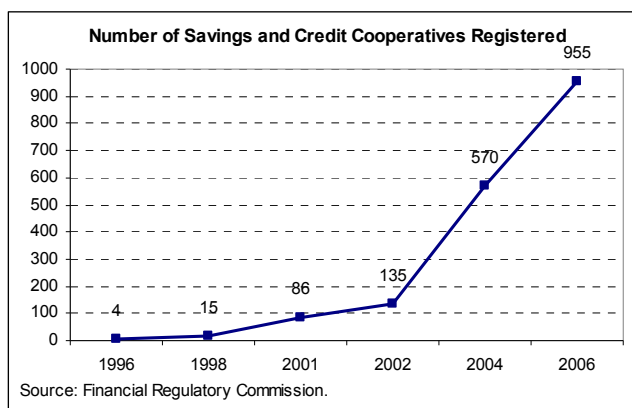
Financial System Structure, 2004–07								
	Dec-04			Dec-06			Dec-07	
	Number	Assets (billion togrogs)	Percent of total assets	Number	Assets (billion togrogs)	Percent of total assets	Number	Assets (billion togrogs)
Banks	17	892	92.2	16	1,899	94.7	16	3,279
Private	16	...	...	16	1,899	94.7	16	3,279
State-owned	1	57	5.9	0	0	0.0	0	0
Nonbank financial institutions	684	76	7.8	1,096	107	5.3	369	147
Insurance companies	...	...	...	19	22	1.1	15	28
Life	...	...	...	0	0	0.0	0	0
Nonlife	0	0	0.0	19	22	1.1	15	28
Savings and Credit Cooperatives 1/	570	47	4.9	955	16	0.8	182	36
Finance Companies / NBFIs	114	29	3.0	122	69	3.4	137	66
Securities firms / Broker firms	0	0	0.0	0	0	0.0	35	16
Total financial system	701	968	100.0	1,112	2,006	100.0	385	3,426

Sources: Bank of Mongolia, Financial Regulatory Commission; and staff calculations.  
1/ For 2007, newly licensed savings and credit cooperatives.

42. **Historically, the SCC sector did not have an adequate regulatory and supervisory framework, and a large number of SCCs failed.** This paper will review the developments in the SCC sector since its emergence, the factors leading to the SCC failures in 2005–06, and the government's actions taken in response to the failure.

#### B. Developments in the SCC Sector Before the Crisis

43. **Mongolia's SCCs operate under the Cooperative Law, which was established in 1995.** However, the original law was designed primarily for agricultural, production, consumer, and marketing cooperatives and was not well suited for the purposes of SCCs. The law was revised in 1998 and amended in 2002 and 2005 to better reflect the requirements of SCCs. The 2002 amendment facilitated a



<sup>33</sup> Prepared by Bazarbai Ardak (IMF Resident Representative office in Mongolia) and Byung Kyoong Jang.

rapid increase in the number of SCCs, and by mid-2006, over 900 SCCs had been established, mostly in Ulaanbaatar.<sup>34</sup> Furthermore, more than half of cooperatives registered in the capital city were engaged in savings and credit operations.

44. **Mongolia's first SCCs were established in late 1996 and early 1997 through a project funded by the Asian Development Bank (ADB) with input from some nongovernmental organizations.** Another ADB project was launched in 2002 to support the creation of a national network of SCCs throughout the country. However, in light of emerging problems with the SCCs soon after the project initiation, the project was suspended and finally canceled in 2006.<sup>35</sup>

45. **Until the creation of the Financial Regulatory Commission (FRC) in early 2006, SCCs were virtually not regulated and operated under inappropriate regulations and supervision of the tax authority.** The Bank of Mongolia (BOM) was responsible for SCC licensing and supervision soon after the passage of the Cooperative Law and authorized establishment of a dozen of cooperatives. In 1998, Parliament lifted the licensing requirement for SCCs and shifted the authority to register SCCs to a tax authority. The 2002 amendment to the Cooperative Law primarily focused on enhancing the regulatory framework for SCCs and partially restored the BOM's regulatory role. However, the supervisory duty and relevant sanctions remained with the tax authority. To address the lack of a proper legal framework for SCCs, a draft law specific to SCCs (Box III. 1) was drafted in 2005 with ADB assistance but has not yet been passed by Parliament.

### C. Failure of SCCs

46. **By 2003–04, there were emerging signs of problems with the SCC sector.** Many of SCCs breached the media law by aggressively advertising their savings products with very high interest rates. The BOM issued a series of press releases detailing the SCCs' objectives and operational modalities, rights and duties of members, and potential risks pertaining to the very high interest rates offered.<sup>36</sup> The BOM also urged the Ministry of Finance to tighten the sector's regulation and suspend the issuance of licenses for new SCCs. The BOM issued a regulation requiring that SCCs adhere to certain prudential ratios, and it also carried out inspections in collaboration with the tax authority. The BOM found breaches of prudential ratios, misreporting of financial statements, failures to submit the financial statements to the tax authority as required, and SCCs' inability to provide even the list of their depositors and members. The findings were submitted to Parliament for further actions. In light of approaching parliamentary elections in mid-2004, however, Parliament did not take any actions.

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<sup>34</sup> The amendment defined the power and responsibilities of the credit committee, members' meeting, and supervisory board. In addition, it stipulated that an SCC shall bear financial responsibility to its members' equity capital.

<sup>35</sup> A US\$8.7 million Rural Finance Project was to support the establishment of 330 SCCs and SCC associations across the country.

<sup>36</sup> Parliament Secretariat (2007).

### Box III. 1. Draft Law on SCCs

A draft Law on SCCs, submitted for Parliament's approval in 2007, envisages the following regulatory and supervisory framework for SCCs in Mongolia.

The draft law defines an SCC as a nonprofit legal body with collective management and control that offers savings and credit services to its members to meet their socio-economic and cultural needs. A registered SCC will not be eligible for engagement in savings and credit operations without a license. The FRC will issue a license for up to three years and can terminate the SCC license if the SCC has not started operations for one year after obtaining it. The FRC as a supervisory body for SCCs will establish prudential ratios, including reserve requirements that SCCs must meet.

An SCC can be founded only when the number of founders reaches 25 and more than 30 percent of total assets are provided in cash. Only deposits and savings can be used for funding loans extended only to SCC members. The total amount of loans to one member of an SCC and his/her related parties cannot exceed 10 percent of its capital.

SCCs are prohibited from:

- setting up branches and representative offices;
- taking a member's investment in SCC's equity capital as loan collateral;
- obtaining loans and mobilizing other funds from individuals and legal bodies except banks, financial institutions, and common cooperatives to which it is a member;
- promoting deposit and lending rates;
- organizing lotteries;
- issuing collateral and guarantee for obligations of members and third parties;
- investing in legal entities except the association and common cooperative of SCCs; and
- accepting legal bodies as a member of an SCC.

Source: Ministry of Finance.

47. **In 2006, a series of SCC failures was reported, and thousands of depositors lost money.** Immediately after its creation to supervise nonbank financial institutions, the FRC embarked on screening the SCC sector, but reports of SCC failures started coming up. The assassination of the new FRC Chairman by a manager of one of the largest SCCs experiencing liquidity problems exacerbated the situation. The FRC reported to Parliament an overall loss to depositors of Tog 57 billion (1.5 percent of GDP or US\$48 million) as of mid-2006. As a result, the reputation of SCCs was badly tarnished, resulting in transfers of some of SCC deposits to commercial banks. The report indicates that the failure of SCC management to comply with relevant laws and regulations, lack of knowledge and information on both the depositor's and management side, and abuses of loopholes in the Cooperatives Law led to such losses.



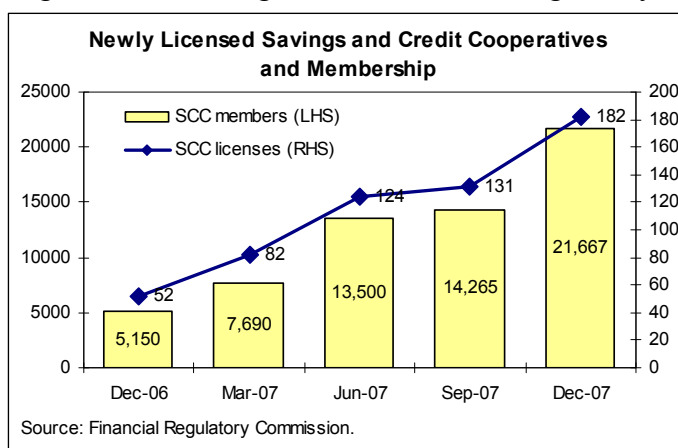
### Losses of 29 failed SCCs

Number of failed SCCs	29
Number of victims (depositors)	8,903
Estimated losses	Tog 67.9 billion
Loans outstanding	Tog 4.0 billion
Worth of sealed assets	Tog 43.0 billion

Source: Parliament Secretariat (2007).

### D. Post-Crisis Situation

48. **In light of a large number of SCC member complaints, the FRC has started fixing the regulations for SCCs and issuing new licenses to SCCs.** In the absence of appropriate legislation for SCCs, in 2006 the FRC issued a temporary regulation on licensing of SCCs. The FRC also issued various guidelines and regulations to meet its regulatory and supervisory duty and ensured that the entire process of SCC licensing and setting up of a supervisory framework will be transparent and the views of stakeholders be sought. At end-2007, 182 SCCs with around 22,000 members were licensed, around 100 SCCs were waiting for approval of their applications, and another 50 SCCs had to resubmit their applications with updated information. About 600 SCCs that had been registered with the tax authority but did not apply for licensing by October 1, 2007, as required, and will be dissolved through court procedures in line with the Law on Enforcement of Selected Provisions of the Cooperative Law adopted in 2007.



49. **The newly licensed SCCs are predominantly small institutions, but one large SCC dominates the SCC sector with 39 percent of the sector's share capital and 61½ percent of its profits.** Half of the SCCs has 100–500 members and paid-in capital of less than Tog 100 million (US\$86,000). The sector's total assets doubled in 2007, reaching Tog 36 billion (0.8 percent of GDP) at end-2007. About 38 percent of total assets at end-2007 were cash and deposits placed with commercial banks. The loan portfolio constituted only half of total assets, way below the 70–80 percent threshold set forth by the FRC's prudential ratios. According to FRC data, the NPL ratio hovered at 6½ percent while loan loss provisions have been built accordingly. The return on equity stood at 29 percent whereas the return on assets recorded 5 percent.

Consolidated Balance Sheet of Savings and Credit Cooperatives as of December 2007 (In millions of togrogs)			
Assets		Liabilities and Owners' Equity	
I. Current assets	34,082.30	I. Liabilities	28,269.30
Cash and deposits	13,600.20	Deposits	25,959.70
Loans	18,037.50	Short-term loans	386.8
Receivables	1,959.90	Other short-term liabilities	1,807.00
Other current assets	484.7	Long-term liabilities	115.8
II. Non-current assets	1,545.30	II. Owner's equity	7,358.20
Fixed assets	1,318.50	Share capital	6,513.60
Other non-current assets	226.8	Coop members' property	844.6
Total assets	35,627.60	Total liabilities and equity	35,627.50

Source: Financial Regulatory Commission.

50. **Amid growing public outcry, the government decided to bail out the depositors at 29 SCCs in April 2007.** While relentlessly demanding a bail-out, the depositors insisted that the government was responsible for the losses since it has not supervised the SCCs properly. After much political debate, Parliament approved the law granting the bail-out in August 2007. The loss compensation act provides that the state budget would pay for 50 percent of losses (estimated at Tog 68 billion or 1.5 percent of GDP) incurred to depositors of 29 failed SCCs under the condition that the budget funds would be reimbursed from proceeds of assets seized.<sup>37</sup> So far the court has issued its verdicts on 20 SCCs, and it appears that the value of the assets seized is far below the government's compensation of losses.

Savings and Credit Cooperative Loss Compensation (As of March 2008)	
Compensation law adopted	August 3, 2007
Compensation commenced	October 19, 2007
Total compensation due (pursuant to the law)	Tog 33.0 billion
Court decisions issued	20 SCCs
Total compensation due (pursuant to court decisions)	Tog 34.2 billion
Compensation paid out	Tog 22.7 billion
Cash and net worth of assets pending for recovery	Tog 1.7 billion

Source: Court Decision Execution Agency.

## E. Concluding Remarks

51. **The SCC sector had grown rapidly in recent years without an appropriate supervisory and regulatory framework, which resulted in the failure of over 30 SCCs in 2005–06.** Before the creation of the FRC in early 2006, SCCs were largely unregulated and competed with the banking system for deposits by offering very high interest rates.

<sup>37</sup> During Parliament's consideration of the loss compensation law, five more SCCs went bankrupt. The law does not include these five SCCs' depositors for compensation.

Consequently, over 30 SCCs accounting for more than half of the sector's total assets failed in 2006. Despite its initial resistance, the government eventually decided to compensate depositors for 50 percent of their losses.

**52. Adequate resources need to be provided to the FRC for proper supervision of the nonbank financial sector, and the legal framework for the SCC sector needs to be strengthened.** Since its creation, despite the constraints the FRC has made good progress by undertaking several initiatives to improve the legal, regulatory, and supervisory environment for the nonbank sector. With the responsibility to oversee nearly 1,000 institutions, however, the FRC does not have enough resources, including experienced staff, and needs a substantial increase in resources, industry statistics, and training to substantially strengthen its institutional capacity. At the current stage of nonbank financial institutions' development, it will be important that the government provides adequate budgetary resources to support the FRC's operations. A law specific to SCCs, drafted in 2006 with ADB assistance, has not been passed yet. Before the passage of this law, it will be important to seek the SCC industry's views and reflect the FRC's experience since 2006 in supervising SCCs to ensure proper implementation. Better legal protections are also needed for supervisory staff of the FRC.

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#### IV. PRESENTATION OF MONGOLIA'S FISCAL DATA USING THE FRAMEWORK OF THE *GFSM 2001*, PRELIMINARY RESULTS<sup>38</sup>

53. **At the Executive Board seminar on November 16, 2005 Directors agreed that the use of the *Government Finance Statistics Manual (GFSM 2001)* framework would lead to greater transparency and consistency in the presentation of country fiscal data in staff reports (Box IV.1).** This paper reports on the preliminary results for the Mongolia pilot study—one of two Asia and Pacific Department (APD) countries<sup>39</sup>—which aims to incorporate the *GFSM 2001* operating statement, integrated balance sheet, and cash statement in the Article IV consultation report. The *GFSM 2001* analytic framework is based on the premise that all changes in stocks of assets and liabilities result from flows, which can either be transactions or other economic flows. The resulting statements contain four core fiscal indicators (the net operating balance, net lending/borrowing, net worth, and the cash surplus/deficit) that can help member countries strengthen their capacity to formulate fiscal policy and monitor fiscal developments. Equally important, the framework fully conforms with the Fund-wide effort to promote the Balance Sheet Approach within a streamlined surveillance program while also fostering international standards of transparency in fiscal reporting.<sup>40</sup>

54. **The pilot study demonstrates that using the *GFSM 2001* as a basis for compiling and analyzing data for the general government sector is feasible for Mongolia in the short-term.** Although adjustments to the official data are necessary to conform to *GFSM 2001* concepts and definitions, the areas in which changes are needed can be clearly identified and the required detailed data can generally be provided by the government accounting system and reporting formats. However, a full migration to the *GFSM 2001* framework would involve a sustained coordinated effort—led by senior staff at the Ministry of Finance—to ensure an integrated approach to achieve timely improvements in source data and GFS outputs.

55. **This paper concludes that enhanced analytical value results from the main fiscal aggregates and balancing items derived from the GFS tables constructed for the general government sector.** Data consistency is enhanced—and data gaps revealed—as a result of integrating detailed information on flows for 2006 with corresponding information on stocks of nonfinancial assets and financial assets and liabilities for fiscal year 2005/2006. The preliminary results lay the foundation for the development of a comprehensive measure of the evolving net worth of the consolidated general government commensurate with

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<sup>38</sup> Prepared by Gary Jones.

<sup>39</sup> Two countries have been selected by each Area Department. The second APD country is Australia.

<sup>40</sup> For the *Report on the Observance of Standards and Codes* data modules, *GFSM 2001* is the standard against which the methodological soundness of fiscal data is assessed. Similarly, the *Manual on Fiscal Transparency* recommends *GFSM 2001*-based fiscal reporting. Recent reviews of the Fund's Data Standards Initiatives have also encouraged the adoption of *GFSM 2001*.

*GFSM 2001* principles.<sup>41</sup> Moreover, the statistical tables developed provide a sound basis for extending the coverage of the fiscal accounts to include the wider range of units that make up the nonfinancial public sector. The institutional coverage of the Mongolia pilot study and the data sources used for compiling the statistics are described further in Section A. Section B reviews the main findings using data for 2006. Additional follow-up actions are outlined in Section C.

#### Box IV.1. Background for the Pilot Studies

The November 2005 Executive Board seminar endorsed the joint Statistics/Fiscal Affairs Departments paper “Using the *GFSM 2001* Statistical Framework to Strengthen Fiscal Analysis in the Fund.” Directors noted that use of the *GFSM 2001* framework (see Annex I) will lead to greater transparency and consistency in the presentation of country fiscal data in staff reports and agreed on the following:

- In principle, that the Fund should move in a phased way to present fiscal data using the *GFSM 2001* framework in staff reports.
- To conduct pilot studies to include the *GFSM 2001* operating statement, integrated balance sheets, and cash statements in Article IV consultation reports. The pilot studies should be done for volunteer countries, over the course of two years and within the Fund’s budgetary envelope, to map out more fully the process involved in moving to the *GFSM 2001* framework, while also drawing references from countries (nearly 100) that have begun to compile and report fiscal data using the GFS system.
- That the staff should report to the Board in 2008 on the experience with the pilot studies, together with migration path proposals to fully implement the *GFSM 2001* methodology as the basis for the Fund’s operational work.

For a more complete summary of the discussion, see the paper, available online at <http://www.imf.org/external/np/pp/eng/2005/102505.pdf> and the Public Information Notice (PIN) No. 05/167 available online at <http://www.imf.org/external/np/sec/pn/2005/pn05167.htm>.

### A. General Issues

56. **Mongolia was selected for a pilot study in consultation with APD and the national authorities against a background of the increasing importance of natural resource (mineral) wealth and the challenges of managing and measuring these nonfinancial assets for fiscal performance.** Mongolia’s basic fiscal data are viewed by APD as being broadly adequate for the Fund’s surveillance exercise that focuses mainly on the cash flows from the operating activities of the government. While Fund staff have focused on compiling the NPV of public debt, the full integration of available data on stocks of assets and liabilities in the GFS framework could further support staff’s analysis of fiscal sustainability. Moreover, determining the liquidity constraint of government and the

<sup>41</sup> This is in sharp contrast to *A Manual on Government Finance Statistics*, 1986 (*GFSM 1986*) system, still widely used in member countries and within the Fund, which is limited to the reconciliation of the above-the-line and below-the-line (financing) and does not contemplate an integration of flows and stocks.

reconciliation of fiscal and monetary statistics, a key element of the cash-based statistics produced under *GFSM 2001* framework, has been problematic.

57. **The derivation of a reliable overall measure of the general government's net worth has been facilitated by the authorities' recent advances in terms of the recording of accounting data and the focus on financial statements that are more closely aligned with international accounting standards.** The authorities have recognized that aligning policy analysis with the full *GFSM 2001* methodology would provide an integrated framework for assessing the long-term fiscal sustainability of Mongolia's fiscal policies and a sound basis for evaluating the management of the country's subsoil assets, expenditure restructuring (including capital projects), and privatization activities.<sup>42</sup>

58. **The institutional coverage in this pilot study is the consolidated general government sector (budgetary accounts, extrabudgetary funds, social security funds, and the local government subsector).** The Ministry of Finance (MoF), Treasury Department, compiles detailed data on the cash-based transactions pertaining to above-the-line items for each of these sectors.<sup>43</sup> Separately, accrual based end-of-period data on stocks of nonfinancial assets, financial assets, and liabilities are also compiled (national accounting practices are discussed in Box IV.2. These data serve as the basis for computing the underlying transactions for each subsector except social security.

## B. Results

59. **Existing data sources support the development of a largely integrated and consistent set of fiscal statistics that facilitates the analysis of fiscal activities.** Implementing the *GFSM 2001* framework allows staff to refocus its work on the evolution of the government of Mongolia's fiscal sustainability—along with changes in key underlying balances—and on better assessing the liquidity of the general government sector. The findings presented in this section—described in terms of horizontal (flows and stocks) as well as vertical (net lending/net borrowing and financing) integration—should be considered illustrative due to unresolved data issues. Box IV.3 provides a description of the main aggregates and balances of analytical significance presented in the attached statistical tables (Tables IV.1, IV.2, IV.3, and IV.4).

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<sup>42</sup> According to the 2006 Staff Report, over the period 2003–06, exploitation of mineral resources has accounted for a sevenfold increase in mining-related revenue while in fiscal year 2006 there was a 30 percent public sector wage increase and a significant expansion in social welfare transfers and in capital spending.

<sup>43</sup> The above-the-line transactions comprise revenue, expense, and the net acquisition of nonfinancial assets in the *GFSM 2001* methodological framework.

### Box IV.2. Summary of Accounting Practices in Mongolia

**As noted in the 2007 Article IV Staff Report, Mongolia's fiscal framework has evolved significantly since the beginning of 2006.** This is reflected in, among other developments, new personal and corporate income tax laws, VAT laws, and the imposition of a "windfall" tax that is intended to capture a higher share of revenues accruing to mining companies from higher export prices. The latter is reflected in the establishment of a Development Fund to which the proceeds of the tax are allocated as follows: (i) one third of total for saving; (ii) one third for capital expenditure; and (iii) one third for social programs aimed at households. Owing to the evolving fiscal framework, the authorities have indicated their intention to move toward adopting accounting and data classification and compilation practices that conform to international standards.

**Fiscal data compiled by the MoF (Treasury Department)—on a cash basis only—and reported to APD do not fully follow GFS standards.** This set of data is the primary source for the fiscal data presented in Fund staff reports, including forward looking projections. Given the absence of a complete set of accrual based accounts, the bridge table developed in the pilot study uses accrual based stock data compiled by the MoF to derive the financing and cash-based accounting records to calculate revenue and expense transactions. The availability of a measure of net worth along with supporting detail in the MoF stock data sources have facilitated the derivation of preliminary fiscal statistics that largely conform to the *GFSM 2001* analytical framework. However, stock data are presented in a way that combine subsectors while data on revenues and expense normally are shown for each subsector separately. This has hampered obtaining a *GFSM 2001* compliant consolidation of general government operations.

60. **The authorities are well advanced in terms of developing accurate data on stock positions of assets and liabilities, as illustrated in Table IV.1, which highlights the evolution of the *Balance Sheet* over the period 2004–06.** Even without taking into account the abundant nonproduced assets owned by the government of Mongolia, which are not currently incorporated into the balance sheet, the increase in general government's net worth during the period was pronounced (from 18.4 percent to 37.3 percent of GDP).<sup>44</sup> This was brought about by significant reductions in debt liabilities—particularly the stock of foreign currency denominated loans outstanding—from 75.7 percent to 44.0 percent of GDP. Reflecting these developments, the net financial worth (financial assets minus liabilities) improved from a net borrowing position of -29.1 percent of GDP in 2004 to -4.8 percent of GDP in 2006.

61. **However, integrating existing data for 2006 on stocks and flows—horizontal integration—resulted in a less than fully consistent dataset, as illustrated in Table IV.2.** The *GFSM 2001* framework, when properly applied, clearly identifies the separate impact of price and volume changes (holding gains/losses and other volume changes) on the stock of assets and liabilities. In the case of Mongolia, where stock and flow data on nonfinancial assets are at an early stage and where weaknesses in the compilation of data on transactions in financial assets and liabilities over the accounting period still exist (see also the discussion in paragraph 13), the authorities rely on differences in year-end stock positions to determine the relevant transactions affecting net worth. As illustrated in Table IV.2, the increase in nonfinancial assets through transactions—particularly in terms of acquisitions of fixed assets

<sup>44</sup> GDP is reported as 2,152 billion Togrogs in 2004, 2,780 in 2005, and 3,715 in 2006 in the APD fiscal file.



and inventories—cannot be reconciled with the closing balance for 2006, resulting in a residual amount. Conversely, transactions data on financial assets and liabilities, which are derived from the stock positions include a “foreign currency translation difference” (e.g., holding gains/losses) that, while included in the authorities calculation of net worth, is not separately identifiable.

62. **The *Statement of Government Operations* (Table IV.3) shows that the consolidated general government registered strong financial performance during 2006.** General government savings, as measured by the gross operating balance (GOB),<sup>45</sup> equal 15.2 percent of GDP, were greater than the government’s investment in nonfinancial assets, which amounted to 9.3 percent of GDP (as measured by the net acquisition of nonfinancial assets). As a result the Net lending/borrowing (NLB)<sup>46</sup> was positive at 5.9 percent of GDP. This outcome is reflected in the general government Balance Sheet where the gross operating surplus contributed to the increase in the net worth of the general government sector in 2006. This continuation in the trend of increasing net worth (2004–06) is indicative of the sustainability of fiscal policies.

63. **For virtually all subsectors, discrepancies found between NLB and financing data—vertical integration—suggest that further work is needed to confirm data results and to fill gaps identified by this study.** It is worth noting that, for 2006, changes in net worth and in net financial worth from transactions in Table IV.2 differs from the gross operating balance and the net lending/borrowing derived in Table IV.3. Nonetheless, the general consistency of the source data is evidenced by the fact that the statistical discrepancy for the general government sector in Table IV.2 fully corresponds to that calculated in Table IV.3. In recasting the data on general government operations (revenue and expense) and financing (net acquisitions of financial assets minus net incurrence in liabilities), which are compiled using different procedures, it was necessary to make adjustments to the source data on expenditures in order to more closely approximate the gross operating balance (GOB) reported by the authorities. Overall, the consolidated general government data (Table IV.3) shows that the statistical discrepancy amounts to 1.8 percent of GDP, indicating that the correspondence between existing internal financial reporting systems and their application to compiling *GFSM 2001*-based statistics could be improved. This is further evidenced by outstanding issues pertaining to the consolidation of transactions across general

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<sup>45</sup> Calculated as Revenue minus Expense other than consumption of fixed capital, which the authorities do not yet compute.

<sup>46</sup> The gross operating balance (GOB) and net lending/borrowing (NLB) in *GFSM 2001* are close counterparts to the current and overall balance, respectively. The GOB obtained in the pilot study, 15.2 percent of GDP, matches closely the current balance of the general government for 2006 in the 2008 Staff Report, reported at 14.8 percent of GDP. The difference between the NLB, 5.9 percent of GDP, and the overall balance, 8.1 percent of GDP, can be attributed to differences in the source data on transactions in financial assets and liabilities and in the treatment of lending minus repayments in the two presentations.

government units that have resulted in total revenue and expense figures that differ from the amounts reported by the APD.<sup>47</sup>

64. **As an ongoing developmental exercise that extended the analysis of stock and flow data, the pilot study also constructed a *Statement of Sources and Uses of Cash* using subannual data for 2007 (Table IV.4).** The purpose of this statement is to compare how the overall surplus derived from cash transactions compares with the net lending/borrowing which takes account of all non-cash (accrual) commitments. The cash surpluses of the general government for both 2006 and 2007 indicate that the government is not cash constrained and that fiscal performance, calculated on either an accrual or cash basis, is broadly comparable.<sup>48</sup> Nonetheless, the authorities have recognized that long-standing weaknesses in accounting practices have limited their capacity to better understand the evolution of one of the main financing items affecting the government's liquidity position, the change in the stock of cash, on a subannual basis.

65. **Efforts to independently determine the net change in the stock of cash on a monthly basis, as illustrated in Table IV.4, have had limited success.** Currently, for both internal monitoring of Treasury operations and for reporting to APD, the authorities calculate both cash balance movements and the net credit from the banking system simply as a residual to achieve a balance in the monthly data reporting systems. When recast into the *GFSM 2001* analytical framework, data pertaining to monthly cash-based transactions for 2007 show an overall net change in the stock of cash of zero for the fiscal year. This implausible result highlights shortcomings in the classification of financial transactions that directly impact upon the capacity of the authorities to undertake liquidity analysis—and reconcile fiscal and monetary data—during the fiscal year, a key feature of *GFSM 2001* cash-based reporting. The ongoing exercise should help to provide definitive conclusions regarding the size of the cash surplus while addressing shortcomings in accounting practices and the availability of data on the main components of financing.<sup>49</sup>

### C. Next Steps

66. **The Mongolian authorities broadly agreed to work toward improving the compilation of fiscal data for operational and reporting purposes in accordance with *GFSM 2001*.** In this regard, the authorities plan to strengthen efforts to improve the consistency of the annual and subannual fiscal data. To this end the authorities have embarked on a program aimed at compiling the *Statement of Sources and Uses of Cash* on a monthly basis for the consolidated central government and reconciling the result with the

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<sup>47</sup> The authorities have confirmed the result of the *GFSM 2001*-based consolidation and are investigating this result against their own practices.

<sup>48</sup> This outcome is reflected in the annual accrual-based stock of cash figure; the year-end 2006 stock of cash was equal to 10 percent of GDP, up from 7 percent in 2005 and 5 percent in 2004 (Table IV.1).

<sup>49</sup> The year-end 2007 stock of cash on an accrual basis is expected to be provided by the authorities by end-May 2008. The authorities reported progress in compiling this analytical balance on a monthly basis during the Spring Meetings.

monetary and financial statistics reported to STA for publication in *International Financial Statistics*. In turn, this Statement may be used for the purposes of reporting to the Fund for operational purposes and to support the authorities' stated goal of subscribing to the Fund's Special Data Dissemination Standard.

67. **The authorities are considering revisions to the chart of accounts for budget preparation and reporting purposes that would support implementing the *GFSM 2001* framework for compiling cash and accrual-based statistics.** Linking existing Treasury account codes to the *GFSM 2001* classification structure would facilitate this work. Developing an accrual measure of the consumption of fixed capital for use in the *Statement of Government Operations* should be facilitated through collaboration with national accounts staff at the National Statistics Office.

68. **Additional work is needed to better delineate institutional sectors and improve the identification and consolidation of transfers between general government units.** The authorities currently present data on budgetary central government together with the social security subsector that have been partially consolidated. Stock data are also shown for the consolidated general government although separate sources, albeit less complete, are also maintained for extrabudgetary funds and local governments. This practice complicates deriving an accurate measure of the financial performance of the individual subsectors of government and consolidating inter- and intrasectoral financial flows using *GFSM 2001* principles.

69. **Commensurate with APD's need to more fully incorporate the nonfinancial public sector corporations into its fiscal analysis, the authorities are working to further expand institutional coverage to include the nonfinancial public sector.** A thorough analysis of the Mongolian government's financial impact on overall economic activity requires extending the coverage of the statistics to include public corporations controlled by the central government. The national authorities have recognized the merits of extending the statistical framework—particularly the balance sheet of government—in this area and are seeking to increase the availability of pertinent source data.

### Box IV.3. The *GFSM 2001* Statements and Core Balances

The **Statement of Government Operations** (Table IV.3) records transactions on an accrual basis. The statement distinguishes between the following transactions:

Revenue	Transactions that increase net worth.
Expense	Transactions that reduce net worth.
Net acquisitions of nonfinancial assets	Transactions that affect the stock of nonfinancial assets, without changing net worth (acquisitions minus disposals).
Financing	Transactions that affect the stock of financial assets and liabilities, without changing net worth (net acquisition of financial assets minus net incurrence of liabilities)

The analysis of government operations is supported by two key fiscal indicators:

Operating balance	Summary measure of the effects of revenue and expense transactions on net worth. Net operating balance (NOB) equals revenue minus expense. The gross operating balance (GOB) equals revenue minus expense other than consumption of fixed capital. <sup>1/</sup>
Net lending/borrowing	Represents the financial resources that the government absorbs from, or releases to, other sectors of the economy. It is calculated as the NOB minus the net acquisition of nonfinancial assets. Net lending/borrowing is also equal to the net acquisition of financial assets minus net incurrence of liabilities.

The **Integrated Balance Sheet** (Table IV.2) focuses on an assessment of the sustainability of government operations from a fiscal perspective. It shows the government's net worth at the beginning and end of each fiscal year, as well as the related transactions and other economic flows. The sustainability of fiscal policy depends in part on how the government's net worth changes over time. Changes in net worth can be explained not only by government's transactions but also by other economic flows attributable to gains or losses resulting from changes in the prices of assets and liabilities, as well as other changes in their volume.

Net worth	The total stock of assets minus liabilities. The net worth in period (t) can also be calculated as the net worth of the previous period (t-1), plus changes in net worth in period (t) due to transactions (the NOB), plus changes in net worth in period (t) due to other economic flows.
Net financial worth	The stock of financial assets minus liabilities.

The **Statement of Sources and Uses of Cash** (Table IV.4) shows purely cash flows associated with revenue and expense transactions and transactions in nonfinancial assets, which yields the cash surplus/deficit. The assessment of the government's level of cash holdings and its determinants is a key element in analyzing fiscal policy, its interrelationships with the monetary policy and liquidity analysis.

Cash surplus/deficit	Net cash inflow from operating activities minus the net cash outflow from investments in nonfinancial assets.
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1/ The NOB/GOB excludes net acquisition of nonfinancial assets. The latter does not affect net worth because it represents only an accumulation of assets in exchange for an accumulation of liabilities or use of existing assets.

Table IV.1. Mongolia: Evolution of the General Government Balance Sheet (2004–06)

		2004	2005	2006	2004	2005	2006
		(In millions of togrogs)			(Percentage of nominal GDP)		
Stocks of Financial Assets and Liabilities							
		396,366.9	636,604.1	1,386,478.4	18.4	22.9	37.3
61	Nonfinancial assets	1,022,940.6	1,100,874.4	1,566,265.2	47.5	39.6	42.2
611	Fixed assets	962,503.6	1,022,323.7	1,321,705.8	44.7	36.8	35.6
6111	Buildings and structures	2,845.6	3,620.4	928,973.4	0.1	0.1	25.0
6112	Machinery and equipment	846.5	846.5	206,516.7	0.0	0.0	5.6
6113	Other fixed assets	127.2	127.2	186,215.6	0.0	0.0	5.0
612	Inventories	60,437.0	78,550.7	244,559.4	2.8	2.8	6.6
613	Valuables	0.0	0.0	0.0	0.0	0.0	0.0
614	Nonproduced assets	0.0	0.0	0.0	0.0	0.0	0.0
6141	Land	0.0	0.0	0.0	0.0	0.0	0.0
6142	Subsoil assets	0.0	0.0	0.0	0.0	0.0	0.0
6143	Other naturally occurring assets	0.0	0.0	0.0	0.0	0.0	0.0
6144	Intangible nonproduced assets	0.0	0.0	0.0	0.0	0.0	0.0
62	Financial assets [621+622+623]	1,249,718.6	1,328,192.2	1,815,336.2	58.1	47.8	48.9
6202	Currency and deposits [6212+6222]	107,704.1	200,134.3	373,173.7	5.0	7.2	10.0
6203	Securities other than shares [6213+6223]	19.6	19.6	19.6	0.0	0.0	0.0
6204	Loans [6214+6224]	1,101,479.1	1,070,240.4	1,166,180.0	51.2	38.5	31.4
6205	Shares and other equity [6215+6225]	0.0	0.0	0.0	0.0	0.0	0.0
6206	Insurance technical reserves [6216+6226]	0.0	0.0	0.0	0.0	0.0	0.0
6207	Financial derivatives [6217+6227]	0.0	0.0	0.0	0.0	0.0	0.0
6208	Other accounts receivable [6218+6228]	40,515.9	57,797.9	275,962.9	1.9	2.1	7.4
621	Domestic	1,239,851.6	1,289,749.2	1,654,808.4	57.6	46.4	44.5
6212	Currency and deposits	97,837.0	161,691.3	212,645.9	4.5	5.8	5.7
6213	Securities other than shares	19.6	19.6	19.6	0.0	0.0	0.0
6214	Loans	1,101,479.1	1,070,240.4	1,166,180.0	51.2	38.5	31.4
6215	Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0
6216	Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0
6217	Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
6218	Other accounts receivable	40,515.9	57,797.9	275,962.9	1.9	2.1	7.4
622	Foreign	9,867.1	38,443.0	160,527.9	0.5	1.4	4.3
6222	Currency and deposits	9,867.1	38,443.0	160,527.9	0.5	1.4	4.3
6223	Securities other than shares	0.0	0.0	0.0	0.0	0.0	0.0
6224	Loans	0.0	0.0	0.0	0.0	0.0	0.0
6225	Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0
6226	Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0
6227	Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
6228	Other accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
623	Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0
63	Liabilities [631+632]	1,876,292.3	1,792,462.5	1,995,123.0	87.2	64.5	53.7
6302	Currency and deposits [6312+6322]	0.0	0.0	0.0	0.0	0.0	0.0
6303	Securities other than shares [6313+6323]	69,245.7	35,917.4	127,299.5	3.2	1.3	3.4
6304	Loans [6314+6324]	1,752,994.8	1,726,438.6	1,826,089.1	81.5	62.1	49.2
6305	Shares and other equity [6315+6325]	0.0	0.0	0.0	0.0	0.0	0.0
6306	Insurance technical reserves [6316+6326]	0.0	0.0	0.0	0.0	0.0	0.0
6307	Financial derivatives [6317+6327]	0.0	0.0	0.0	0.0	0.0	0.0
6308	Other accounts receivable [6318+6328]	54,051.7	30,106.4	41,734.4	2.5	1.1	1.1
631	Domestic	201,698.1	173,128.7	272,219.5	9.4	6.2	7.3
6312	Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
6313	Securities other than shares	23,230.4	3,902.1	38,157.5	1.1	0.1	1.0
6314	Loans	124,416.0	139,120.2	192,327.6	5.8	5.0	5.2
6315	Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0
6316	Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0
6317	Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
6318	Other accounts payable	54,051.7	30,106.4	41,734.4	2.5	1.1	1.1
632	Foreign	1,674,594.2	1,619,333.8	1,722,903.5	77.8	58.2	46.4
6322	Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0
6323	Securities other than shares	46,015.3	32,015.3	89,142.0	2.1	1.2	2.4
6324	Loans	1,628,578.8	1,587,318.5	1,633,761.5	75.7	57.1	44.0
6325	Shares and other equity	0.0	0.0	0.0	0.0	0.0	0.0
6326	Insurance technical reserves	0.0	0.0	0.0	0.0	0.0	0.0
6327	Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0
6328	Other accounts payable	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:							
6M2	Net financial worth [=62-63]	-626,573.6	-464,270.3	-179,786.8	-29.1	-16.7	-4.8

Sources: Mongolian authorities; and Fund staff estimates.

**Table IV.2. Mongolia: Integrated Balance Sheet for the General Government, 2006**

(In millions of togrogs)

	Closing balance 2005	Transactions	2006 Other Economic Flows			Closing Balance 2006
			Holding Gains and Losses	Other Volume Changes	Residual	
<b>Net worth and its changes:</b>	636,604	564,769	0	0	185,105	1,386,478
<b>Nonfinancial assets</b>	1,100,874	345,601	0	0	119,790	1,566,265
<b>Fixed assets</b>	1,022,324	172,792	0	0	126,590	1,321,706
<b>Change in inventories</b>	78,551	172,740	0	0	-6,732	244,559
<b>Valuables</b>	0	0	0	0	0	0
<b>Nonproduced assets</b>	0	69	0	0	-69	0
<b>Net financial worth:</b>	-464,270	219,168	0	0	65,315	-179,787
<b>Financial assets</b>	1,328,192	487,144	0	0	0	1,815,336
<b>Domestic currency</b>	1,289,749	365,059	0	0	0	1,654,808
Currency and deposits	161,691	50,955	0	0	0	212,646
Securities other than shares	20	0	0	0	0	20
Loans	1,070,240	95,940	0	0	0	1,166,180
Shares and other equity	0	0	0	0	0	0
Insurance technical reserves	0	0	0	0	0	0
Financial derivatives	0	0	0	0	0	0
Other accounts receivable	57,798	218,165	0	0	0	275,963
<b>Foreign currency</b>	38,443	122,085	0	0	0	160,528
Currency and deposits	38,443	122,085	0	0	0	160,528
Securities other than shares	0	0	0	0	0	0
Loans	0	0	0	0	0	0
Shares and other equity	0	0	0	0	0	0
Insurance technical reserves	0	0	0	0	0	0
Financial derivatives	0	0	0	0	0	0
Other accounts receivable	0	0	0	0	0	0
<b>Monetary gold and SDRs</b>	0	0	0	0	0	0
<b>Liabilities</b>	1,792,462	202,661	0	0	0	1,995,123
<b>Domestic currency</b>	173,129	99,091	0	0	0	272,219
Currency and deposits	0	0	0	0	0	0
Securities other than shares	3,902	34,255	0	0	0	38,158
Loans	139,120	53,207	0	0	0	192,328
Shares and other equity	0	0	0	0	0	0
Insurance technical reserves	0	0	0	0	0	0
Financial derivatives	0	0	0	0	0	0
Other accounts payable	30,106	11,628	0	0	0	41,734
<b>Foreign currency</b>	1,619,334	103,570	0	0	0	1,722,904
Currency and deposits	0	0	0	0	0	0
Securities other than shares	32015	57127	0	0	0	89142
Loans	1,587,318	46,443	0	0	0	1,633,762
Shares and other equity	0	0	0	0	0	0
Insurance technical reserves	0	0	0	0	0	0
Financial derivatives	0	0	0	0	0	0
Other accounts payable	0	0	0	0	0	0
Discrepancy in vertical integration (see Table IV.3)		-65,315			65,315	
<b>Memorandum items:</b>						
Net worth (in percent of GDP)	29.58					49.87
Net financial worth (in percent of GDP)	-21.57					-6.47
Change in Net worth (in percentage)	0.6					1.2
Change in Net financial worth (in percentage)	-0.3					-0.6
Liabilities/Assets ratio	0.74					0.59
Liabilities/Financial Assets ratio	1.39					1.21

Sources: Mongolian authorities; and Fund staff estimates.

**Table IV.3. Mongolia: Statement of General Government Operations (GFSM 2001), 2006**  
(In million of togrogs)

Central Government										
		Central Government								
		Budgetary	Extrabudgetary	Security Funds	Consolidation Column	Central Government	State Governments	Local Governments	Consolidation Column	General Government
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Accounting method:										
Transactions affecting net worth:										
1	Revenue	1,299,434.0	193,578.1	226,731.0	-239,806.7	1,479,936.5	0.0	87,389.8	-24,474.0	1,542,852.3
11	Taxes	901,816.7	0.0	0.0	0.0	901,816.7	0.0	75,135.4	0.0	976,952.1
12	Social contributions	0.0	0.0	161,507.2	0.0	161,507.2	0.0	0.0	0.0	161,507.2
13	Grants	29,159.3	179,488.1	61,023.6	-239,806.7	29,864.3	0.0	0.0	-24,474.0	5,390.3
14	Other revenue	368,458.1	14,090.0	4,200.2	0.0	386,748.3	0.0	12,254.4	0.0	399,002.8
2	Expense	938,053.3	14,561.2	205,707.3	-239,806.7	918,515.2	0.0	84,053.2	-24,474.0	978,094.3
21	Compensation of employees	227,874.5	121.3	0.0	0.0	227,995.8	0.0	17,354.3	0.0	245,350.1
22	Use of goods and services	408,757.4	14,439.9	341.7	0.0	423,538.9	0.0	37,070.5	0.0	460,609.4
23	Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
24	Interest	18,081.7	0.0	0.0	0.0	18,081.7	0.0	0.0	0.0	18,081.7
25	Subsidies	8,234.3	0.0	0.0	0.0	8,234.3	0.0	4,084.1	0.0	12,318.4
26	Grants	270,167.0	0.0	23,240.0	-239,806.7	53,600.4	0.0	24,474.0	-24,474.0	53,600.4
27	Social benefits	0.0	0.0	175,947.4	0.0	175,947.4	0.0	0.0	0.0	175,947.4
28	Other expense	4,938.5	0.0	6,178.1	0.0	11,116.7	0.0	1,070.2	0.0	12,186.9
GOB	Gross operating balance (1-2+23+NOBz)	361,380.7	179,016.9	21,023.8	0.0	561,421.3	0.0	3,336.7	0.0	564,758.0
NOB	Net operating balance (1-2+NOBz)	....	....	....	....	....	....	....	....	....
Transactions in Nonfinancial Assets:										
31	Net acquisition of nonfinancial assets	324,111.5	7,063.3	0.0	0.0	331,174.9	0.0	14,426.2	0.0	345,601.0
311	Fixed assets	158,102.8	331.7	0.0	0.0	158,434.5	0.0	14,357.3	0.0	172,791.8
312	Change in inventories	166,008.7	6,731.7	0.0	0.0	172,740.4	0.0	0.0	0.0	172,740.4
313	Valuables	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
314	Nonproduced assets	0.0	0.0	0.0	0.0	0.0	0.0	68.9	0.0	68.9
NLB	Net lending / borrowing (1-2+NOBz-31)	37,269.2	171,953.6	21,023.8	0.0	230,246.5	0.0	-11,089.5	0.0	219,157.0
Transactions in financial assets and liabilities (financing):										
32	Net acquisition of financial assets	288,586.2	172,108.6	21,023.8	0.0	481,718.6	0.0	5,414.2	0.0	487,132.7
321	Domestic	165,355.2	172,108.6	21,023.8	0.0	358,487.6	0.0	6,560.3	0.0	365,047.9
322	Foreign	123,231.0	0.0	0.0	0.0	123,231.0	0.0	-1,146.1	0.0	122,084.9
323	Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
33	Net incurrence of liabilities	200,569.2	10.8	0.0	0.0	200,580.0	0.0	2,080.5	0.0	202,660.5
331	Domestic	96,999.4	10.8	0.0	0.0	97,010.2	0.0	2,080.5	0.0	99,090.8
332	Foreign	103,569.7	0.0	0.0	0.0	103,569.7	0.0	0.0	0.0	103,569.7
Vertical check: Difference between net lending/borrowing and financing (1-2-31=32-33-NLBz=0)										
		-50,747.8	-144.3	0.0	0.0	-50,892.1	0.0	-14,423.1	0.0	-65,315.3

Sources: Mongolian authorities; and Fund staff estimates.

**Sources:** Mongolian authorities; and Fund staff estimates.



Table 1. Mongolia: Basic Data, 2002–07

	2002	2003	2004	2005	2006	2007 Est.
<b>Population</b>						
Total population, end-year (million)	2.48	2.50	2.53	2.56	2.59	2.64
Population growth rate (annual percentage change)	1.35	1.16	1.16	1.16	1.26	1.55
<b>Income</b>						
Gross domestic product (GDP), at current market prices						
(In billions of togrog)	1,413	1,660	2,152	2,780	3,715	4,558
(In millions of U.S. dollars)	1,273	1,448	1,814	2,307	3,156	3,894
(In U.S. dollars; per capita) 1/	518	582	720	905	1,224	1,489
	(Annual percentage change)					
Real GDP, at constant 2000 prices	4.7	7.0	10.6	7.3	8.6	9.9
Mineral GDP 2/	-5.6	-0.4	31.1	10.6	6.3	1.7
Nonmineral GDP 2/ 3/	7.5	8.8	6.2	6.4	9.2	12.2
Agriculture, hunting, forestry, and fishery	-10.1	6.3	15.8	10.7	7.5	15.8
Other	15.2	9.6	3.0	4.8	9.8	10.8
<b>Savings-investment balance</b>						
	(In percent of GDP)					
Gross national savings	18.0	28.4	36.0	38.2	42.1	43.7
Government	3.9	6.6	7.8	8.4	14.8	14.1
Private	14.1	21.8	28.2	29.9	27.3	29.6
Gross investment	26.7	35.5	34.5	37.0	35.1	41.1
Savings-investment balance	-8.7	-7.1	1.5	1.3	7.0	2.6
<b>Inflation</b>						
	(Annual percentage change)					
Consumer price index (CPI), period average 4/	0.3	5.1	8.3	12.7	5.1	9.0
CPI, end of period 4/	1.6	4.7	11.0	9.5	6.0	15.1
GDP deflator	5.1	9.8	17.2	20.4	23.1	11.6
<b>General government budget</b>						
	(In percent of GDP)					
Total revenue and grants	33.8	33.4	33.1	30.1	36.6	40.6
Mineral revenue	1.6	2.5	3.7	4.0	10.5	14.7
Nonmineral revenue and grants	32.2	30.9	29.4	26.1	26.1	25.9
Total expenditure and net lending	39.0	37.1	35.0	27.5	28.5	38.4
Overall balance	-5.2	-3.7	-1.8	2.6	8.1	2.2
Nonmineral overall balance	-6.8	-6.2	-5.5	-1.4	-2.4	-12.5
<b>Money and credit</b>						
	(Annual percentage change; unless otherwise indicated)					
Broad money	41.9	49.7	20.3	37.3	30.8	57.3
Reserve money	21.7	14.7	16.8	19.7	37.7	39.6
Interest rates on central bank bills, end of period (in percent) 5/	8.0	15.0	15.8	3.7	5.1	8.4
<b>Balance of payments</b>						
	(In percent of GDP; unless otherwise indicated)					
Current account balance (including official transfers)	-8.7	-7.1	1.5	1.3	7.0	2.6
Exports (percent change)	0.1	19.7	39.0	22.5	44.6	26.3
Imports (percent change)	8.6	9.8	23.5	19.8	23.9	43.2
Gross official reserves (in millions of U.S. dollars)	268	204	208	333	718	1,001
(In months of next year's imports of goods and services)	3.0	1.7	1.6	2.1	3.3	3.6
<b>Public and publicly guaranteed debt</b>						
	(In percent of GDP; unless otherwise indicated)					
Total public debt	79.5	98.5	81.4	60.3	46.7	40.0
Domestic debt	2.7	13.1	6.8	3.7	1.7	0.6
External debt 6/	76.9	85.4	74.6	56.6	45.0	39.4
(In millions of U.S. dollars)	978	1,237	1,352	1,306	1,420	1,535
Debt service (in millions of U.S. dollars)	32	284	91	43	57	52
(In percent of exports of goods and services)	4.5	34.0	7.5	2.9	2.8	2.0
<b>Fund quota</b>						
	(In millions of SDRs)					
	51.1	51.1	51.1	51.1	51.1	51.1
<b>Exchange rate</b>						
	(In togrog per U.S. dollar)					
Period average	1,110	1,147	1,187	1,205	1,177	1,170
End of period	1,125	1,168	1,209	1,221	1,165	1,170

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Based on period average exchange rate and population.

2/ Data in 2002–05 are slightly different from those in the Staff Report due to revisions received from the authorities in May 2008.

3/ Total GDP minus mineral GDP.

4/ The overall CPIs in 2002–05 are slightly different from those in the Staff Report due to changes in the consumption basket starting from December 2005.

5/ Yield of 14-day bills until 2006 and of 7-day bills for 2007.

6/ Includes IMF loans, guarantees, and arrears.

**Table 2. Mongolia: Gross Domestic Product by Sector at Current Market Prices, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In millions of Togrog)						
Agriculture, hunting and forestry	296,561	342,407	478,380	608,229	723,070	937,718
Fisheries	39	63	68	106	111	113
Mining and quarrying	125,976	185,868	365,682	608,209	1,112,605	1,248,593
Manufacturing	57,891	71,286	76,296	101,963	128,891	188,432
Energy	55,313	56,884	69,074	80,021	95,076	106,150
Construction	30,998	50,617	50,245	58,835	63,188	85,623
Wholesale and retail trade	160,770	183,688	200,231	226,961	274,243	345,947
Hotels and restaurants	11,858	12,449	14,750	19,135	22,955	27,241
Transport, storage and communications	182,766	203,578	242,872	309,100	334,975	415,281
Financial intermediation	41,645	62,174	81,485	99,967	106,266	129,921
Real estate, renting and business activities	153,371	170,191	185,413	217,120	240,665	280,324
Public administration and defense	45,999	50,683	58,203	66,847	117,961	175,526
Education	57,698	66,552	65,826	84,916	121,148	177,352
Health and social services	22,839	25,789	33,283	37,967	54,113	80,721
Other community, social and personal services	18,698	21,156	25,998	28,323	35,184	43,620
Less: Indirect services of financial institutions	-35,491	-47,624	-64,930	-79,859	-120,750	-175,088
Goods and services net tax (indirect taxes)	186,103	204,604	269,218	311,738	405,254	490,037
Nominal GDP	1,413,032	1,660,365	2,152,095	2,779,578	3,714,953	4,557,512
Mineral GDP	125,976	185,868	365,682	608,209	1,112,605	1,248,593
Nonmineral GDP 1/	1,287,056	1,474,496	1,786,413	2,171,369	2,602,348	3,308,919
Agriculture, hunting, forestry, and fishery	296,600	342,470	478,448	608,335	723,181	937,832
Other	990,456	1,132,026	1,307,964	1,563,034	1,879,167	2,371,087

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Total GDP minus mineral GDP.

**Table 3. Mongolia: Gross Domestic Product by Sector at 2005 Constant Prices, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In millions of Togrog)						
Agriculture, hunting and forestry	446,532	474,495	549,349	608,229	654,054	757,245
Fisheries	38	48	89	106	94	95
Mining and quarrying	421,113	419,431	550,059	608,209	646,310	657,236
Manufacturing	113,202	131,549	126,675	101,963	115,585	152,962
Energy	74,743	76,649	79,588	80,021	83,635	86,273
Construction	35,177	54,515	50,914	58,835	61,828	75,682
Wholesale and retail trade	210,622	232,839	221,367	226,961	261,760	301,995
Hotels and restaurants	14,567	14,680	16,396	19,135	21,022	21,278
Transport, storage and communications	201,869	233,357	252,249	309,100	346,429	410,868
Financial intermediation	50,419	73,558	87,433	99,967	96,776	110,029
Real estate, renting and business activities	179,467	194,979	200,123	217,120	228,863	238,925
Public administration and defense	64,484	63,835	64,863	66,847	67,154	67,222
Education	105,402	99,509	89,654	84,916	88,686	90,922
Health and social services	37,601	36,784	36,980	37,966	41,515	42,276
Other community, social and personal services	23,207	24,574	27,319	28,323	30,027	33,479
Less: Indirect services of financial institutions	-43,176	-56,431	-69,654	-79,859	-109,673	-149,011
Goods and services net tax (indirect taxes)	254,052	268,302	308,187	311,738	383,360	419,022
Real Gross Domestic Product	2,189,320	2,342,674	2,591,593	2,779,578	3,017,426	3,316,499
Mineral real GDP	421,113	419,431	550,059	608,209	646,310	657,236
Nonmineral real GDP 1/	1,768,207	1,923,243	2,041,534	2,171,369	2,371,116	2,659,262
Agriculture, hunting, forestry, and fishery	446,569	474,543	549,437	608,335	654,148	757,340
Other	1,321,638	1,448,700	1,492,096	1,563,034	1,716,967	1,901,922
(Annual percentage change)						
Memoranda items:						
Real GDP	4.7	7.0	10.6	7.3	8.6	9.9
Mineral GDP 2/	-5.6	-0.4	31.1	10.6	6.3	1.7
Nonmineral GDP 1/ 2/	7.5	8.8	6.2	6.4	9.2	12.2
Agriculture, hunting, forestry, and fishery	-10.1	6.3	15.8	10.7	7.5	15.8
Other	15.2	9.6	3.0	4.8	9.8	10.8

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Total GDP minus mineral GDP.

2/ Data in 2002-05 are slightly different from those in the Staff Report due to revisions received from the authorities in May 2008.

**Table 4. Mongolia: Gross Domestic Product Deflator by Sector, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
	Annual percentage change					
Agriculture, hunting and forestry	1.8	8.7	20.7	14.8	10.6	12.0
Fisheries	28.9	25.7	-41.5	30.0	18.3	1.0
Mining and quarrying	32.4	48.1	50.0	50.4	72.1	10.4
Manufacturing	-31.9	6.0	11.1	66.0	11.5	10.5
Energy	36.3	0.3	16.9	15.2	13.7	8.2
Construction	11.9	5.4	6.3	1.3	2.2	10.7
Wholesale and retail trade	-2.0	3.4	14.7	10.6	4.8	9.3
Hotels and restaurants	1.3	4.2	6.1	11.2	9.2	17.2
Transport, storage and communications	5.1	-3.6	10.4	3.9	-3.3	4.5
Financial intermediation	2.3	2.3	10.3	7.3	9.8	7.5
Real estate, renting and business activities	0.0	2.1	6.1	7.9	5.2	11.6
Public administration and defense	13.9	11.3	13.0	11.4	75.7	48.7
Education	8.4	22.2	9.8	36.2	36.6	42.8
Health and social services	5.4	15.4	28.4	11.1	30.3	46.5
Other community, social and personal services	1.6	6.9	10.5	5.1	17.2	11.2
Less: Indirect services of financial institutions	2.0	2.7	10.5	7.3	10.1	6.7
Goods and services net tax (indirect taxes)	-6.3	4.1	14.6	14.5	5.7	10.6
Total GDP	5.1	9.8	17.2	20.4	23.1	11.6
Mineral GDP	32.4	48.1	50.0	50.4	72.1	10.4
Nonmineral GDP 1/	1.2	5.3	14.1	14.3	9.8	13.4
Agriculture, hunting, forestry, and fishery	1.8	8.7	20.7	14.8	10.6	12.0
Other	0.2	4.3	12.2	14.1	9.4	13.9

Sources: Data provided by the Mongolian authorities; and Fund staff estimates.

1/ Total GDP minus mineral GDP.

**Table 5. Mongolia: Gross National Disposable Income and Savings at Current Market Prices, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrog)						
Domestic demand	1,757	2,048	2,475	2,919	3,539	4,624
Final consumption	1,380	1,459	1,732	1,891	2,235	2,751
Private	1,153	1,212	1,419	1,547	1,809	2,177
Government	227	246	313	344	425	575
Gross investment	377	590	742	1,028	1,304	1,873
Gross fixed capital formation	338	532	661	844	1,200	1,769
Change in inventories 1/	39	57	81	183	104	104
Foreign balance (net)	-267	-285	-231	-109	178	-67
Exports of goods and services 2/	787	958	1,436	1,787	2,391	2,957
Imports of goods and services 2/	-1,054	-1,243	-1,667	-1,896	-2,213	-3,023
Statistical discrepancy 3/	-76	-103	-92	-30	-2	0
Gross domestic product 4/	1,413	1,660	2,152	2,780	3,715	4,558
Income from abroad (net) 2/	-8	-18	-56	-127	-170	-93
Gross national income (GNI) 5/	1,405	1,643	2,096	2,652	3,545	4,465
Current transfers (net) 2/	153	185	319	271	253	278
Gross national disposable income (GNDI) 6/	1,558	1,828	2,415	2,924	3,798	4,743
(In percent of GDP)						
<b>Memoranda items:</b>						
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0
Domestic demand 7/	118.9	117.2	110.7	103.9	95.2	101.5
Final Consumption 7/	92.3	81.6	76.2	66.9	60.1	60.4
Private 7/	76.2	66.8	61.7	54.5	48.7	47.8
Government	16.1	14.8	14.5	12.4	11.4	12.6
Gross investment	26.7	35.5	34.5	37.0	35.1	41.1
Foreign balance (net) 2/	-18.9	-17.2	-10.7	-3.9	4.8	-1.5
Exports of goods and services 2/	55.7	57.7	66.7	64.3	64.4	64.9
Imports of goods and services 2/	-74.6	-74.8	-77.5	-68.2	-59.6	-66.3
Statistical discrepancy 3/	-5.4	-6.2	-4.3	-1.1	0.0	0.0
Gross domestic savings 8/	7.7	18.4	23.8	33.1	39.9	39.6
Gross national savings 9/	18.0	28.4	36.0	38.2	42.1	43.7
Government savings 10/	3.9	6.6	7.8	8.4	14.8	14.1
Private savings	14.1	21.8	28.2	29.9	27.3	29.6
Savings-investment balance	-8.7	-7.1	1.5	1.3	7.0	2.6

Sources: Data Provided by the National Statistical Office; and IMF staff estimates.

1/ Including acquisitions less disposal of valuables.

2/ Using data from the balance of payments.

3/ Difference between output-based and expenditure-based GDP estimates.

4/ Output-based GDP.

5/ GNI is defined as the sum of GDP and net income from abroad.

6/ GNDI is defined as the sum of GNI and net transfers.

7/ Including statistical discrepancy.

8/ Defined as the difference between GDP and final consumption including the statistical discrepancy.

9/ Defined as the difference between GNDI and final consumption including the statistical discrepancy.

10/ Defined as the difference between current revenue and current expenditure.

**Table 6. Mongolia: Output of Major Agricultural Products, 2002–07**

	2002	2003	2004	2005	2006	2007
						Est.
(In thousands of metric tons; unless otherwise indicated)						
Meat	413.1	318.1	424.5	384.5	359.4	402.6
Milk (million tons)	317.0	347.2	406.3	425.9	450.1	465.6
Eggs (millions)	4.2	7.1	16.0	21.3	19.0	46.2
Wool	17.0	15.2	15.3	22.6	22.4	25.6
Wheat	123.1	160.4	135.6	73.5	127.8	109.6
Cereals	125.9	165.0	138.4	75.5	138.6	114.8
Potatoes	51.9	78.7	80.2	82.8	109.1	114.5
Other vegetables	39.7	59.6	49.2	64.1	70.4	76.4
(In millions of head)						
Livestock	23.9	25.5	28.0	30.4	34.8	40.3
Sheep	10.6	10.8	11.7	12.9	14.8	17.0
Goats	9.1	10.7	12.2	13.3	15.5	18.3
Cattle	1.9	1.8	1.8	2.0	2.2	2.4
Horses	2.0	1.9	2.0	2.0	2.1	2.2
Camels	0.3	0.3	0.3	0.3	0.3	0.3
(Percent change)						
Meat	-11.8	-23.0	33.4	-9.4	-6.5	12.0
Milk	-4.7	9.5	17.0	4.8	5.7	3.4
Eggs	-45.5	69.0	125.4	33.1	-10.8	143.2
Wool	-14.1	-10.6	0.7	47.7	-0.9	14.3
Cereals	-11.5	30.3	-15.5	-45.8	73.9	-14.2
Potatoes	-10.9	31.1	-16.1	-45.4	83.6	-17.2
Other vegetables	-10.8	51.6	1.9	3.2	31.8	4.9
(In percent of total head)						
Memorandum item:						
Privately owned livestock	97.4	97.9	98.2	98.4	98.6	98.7

Source: Data provided by the National Statistical Office.

**Table 7. Mongolia: Output of Basic Industrial and Mining Products, 2002–07**

(In thousands of metric tons; unless otherwise indicated)

	2002	2003	2004	2005	2006	2007 Est.
Electricity (million kilowatt hours)	3,111.7	3,137.7	3,303.4	3,418.9	3,544.2	3,700.7
Coal	5,544.4	5,666.1	6,865.0	7,517.1	8,074.1	9,237.6
Fluor spar	513.9	488.2	468.2	507.9	521.9	637.9
Copper concentrate	376.3	372.2	371.4	361.6	370.5	371.9
Gold concentrate (kilograms)	12,097.1	11,118.6	19,417.6	24,121.9	22,561.3	17,472.5
Bricks (millions)	13.2	22.9	12.5	14.6	22.2	20.8
Cement	147.6	162.3	61.9	111.9	140.8	179.8
Lime	42.5	42.1	30.0	81.2	60.4	43.3
Sawn timber (thousand of cubic meters)	10.2	16.6	17.8	13.2	9.6	11.0
Scoured wool	1.2	0.5	1.8	0.9	1.1	1.7
Felt (thousand meters)	112.9	303.0	67.8	69.1	68.8	87.8
Woolen fabrics (thousand meters)	32.0	54.6	58.7	64.8	50.4	120.2
Camel woolen blanket (thousand meters)	38.3	27.4	36.8	33.5	34.4	37.7
Coats (thousands)	0.0	3.6	2.9	3.6	4.0	4.0
Suits (thousands)	60.7	73.5	98.5	59.8	30.4	12.9
Leather footwear (thousand pairs)	9.5	4.6	3.0	3.0	4.9	21.4
Sheepskin coats (thousands)	2.1	3.5	3.5	5.5	7.1	12.4
Meat (excluding pork)	6.8	11.1	4.3	3.6	7.8	6.8
Sausages	1.0	1.2	1.3	1.3	1.2	1.4
Flour	49.6	54.1	57.8	58.3	63.6	70.8
Bakery products	5.9	6.5	7.1	8.3	10.2	13.0
Confectionery	0.2	0.1	0.1	0.1	0.1	0.1
Milk and dairy products (million liters)	3.2	5.2	5.9	7.1	6.2	9.2
Carpets (thousands of square meters)	533.9	663.1	690.4	586.9	606.3	658.1
Processed metal	26.3	60.0	84.4	101.7	124.3	147.8

Source: Data provided by the National Statistical Office.

**Table 8. Mongolia: Gross Industrial Output at Constant Prices, 2002–07 1/**

(In billions of togrogs)

	2002	2003	2004	2005	2006	2007 Est.
Food	85.4	92.5	102.8	104.2	121.8	156.4
Leather and shoes	0.7	0.7	0.9	0.6	5.9	4.7
Textiles	106.4	91.5	131.3	66.0	102.0	124.4
Clothing	84.2	121.1	102.2	31.3	26.8	23.5
Energy 2/	97.4	98.4	159.5	167.6	173.0	178.4
Coal	13.9	14.6	66.6	73.4	74.4	83.1
Mining of metal ores	273.6	260.2	819.8	866.0	908.8	876.6
Other mining and quarrying	24.3	28.6	29.2	27.9	29.9	28.8
Non-metallic products	7.2	9.1	10.3	14.6	13.6	16.8
Wood processing	4.6	7.2	8.3	7.9	8.2	3.5
Chemicals	3.6	3.0	6.6	4.7	8.4	5.1
Printing	9.0	15.7	9.5	8.3	8.7	9.1
Furniture	0.9	1.0	1.1	1.2	2.2	2.1
Other	72.9	85.1	89.6	91.4	144.1	268.4

Source: Data provided by the National Statistical Office.

1/ The 2002-03 data are based on 2000 prices, while the 2004-07 data are based on 2005 prices

2/ Includes electric and thermal energy.



**Table 9. Mongolia: Coal Mining Sector, 2002–07**

(In thousands of metric tons)

	2002	2003	2004	2005	2006	2007 Est.
Production	5,544	5,666	6,865	7,517	8,074	9,238
Imports	0	0	0	0	0	0
Consumption	5,535	5,162	5,189	5,473	5,691	5,906
Intermediate 1/	4,723	4,380	4,479	4,620	4,595	4,935
Final consumption	812	782	710	853	1,096	971
Industry and construction	152	154	91	107	237	203
Agriculture	8	9	5	18	8	3
Communal housing and public services	436	465	451	514	550	455
Other	217	155	163	214	301	310
Exports	...	435	1,560	2,116	2,457	3,268
Memorandum item:						
Stock, end-year	157	227	343	272	317	381

Source: Data provided by the National Statistical Office.

1/ Consumption by thermal power stations.

**Table 10. Mongolia: Petroleum Imports, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In thousands of metric tons)						
Total petroleum imports	470.6	512.9	563.9	551.3	649.2	782.6
Petro	243.7	259.1	270.1	254.8	280.4	345.9
Diesel	190.6	214.8	258.2	270.9	310.0	387.4
Jet fuel	20.5	23.9	22.8	18.9	41.4	28.7
Mazut	9.5	12.4	11.1	4.9	5.5	7.6
Lubricants	6.3	2.7	1.7	1.8	11.9	13.0
(In millions of U.S. dollars)						
Total petroleum imports	110.0	142.5	210.2	291.0	422.5	551.3

Source: Data provided by the National Statistical Office.

Table 11. Mongolia: Electricity Sector, 2002–07

	2002	2003	2004	2005	2006	2007 Est.
(In millions of kilowatt hours)						
Supply	3,279	3,309	3,474	3,586	3,713	3,879
Domestic	3,112	3,138	3,304	3,419	3,544	3,699
Imports	167	171	171	168	168	181
Uses	3,279	3,309	3,474	3,586	3,713	3,879
Consumption	2,032	2,195	2,357	2,534	2,620	2,808
Industry and construction	1,260	1,361	1,459	1,569	1,627	1,778
Transport and communications	85	92	99	106	109	112
Agriculture	22	24	26	28	24	25
Commercial housing and public services	487	526	568	609	629	652
Other sectors	178	192	207	222	230	241
Loss in transmission and distribution	583	489	480	420	442	442
Power stations' own use	649	618	629	621	630	615
Exports	16	7	8	12	21	14
(Togrogs per kilowatt hour, annual average)						
Tariff						
Industry	47	47	51	51	51	53
Agriculture	47	47	51	51	51	53
Households	47	47	49	51	51	53
(Percent change)						
Supply and uses	2.1	0.9	5.0	3.2	3.5	4.5
Supply						
Domestic	3.1	0.8	5.3	3.5	3.7	4.4
Imports	-14.6	2.4	-0.3	-1.9	0.2	7.3
Uses						
Consumption	4.3	8.0	7.4	7.5	3.4	7.2
Industry and construction	4.7	8.0	7.2	7.6	3.7	9.3
Transport and communications	-2.6	8.0	7.7	7.4	3.2	2.4
Agriculture	29.4	8.2	7.6	7.4	-13.2	2.9
Commercial housing and public services	2.3	8.0	7.9	7.3	3.3	3.6
Other sectors	8.4	8.0	7.5	7.7	3.6	4.8
Loss in transmission and power stations' own use in total supply (in percent)	37.6	33.5	31.9	31.9	28.9	27.2

Source: Data provided by the Ministry of Fuel and Energy.

**Table 12. Mongolia: Employment by Sector, 2002–07**

(Number of employees; in thousands at end of year)

	2002	2003	2004	2005	2006	2007 Est.
Total employment 1/	870.8	926.5	950.5	968.3	1009.9	1024.1
Agriculture and forestry	391.4	387.5	381.8	386.2	391.4	385.1
Industry	99.2	109.5	114.2	113.9	118.9	123.1
Transport and communications	38.8	39.5	42.2	42.4	41.2	44.1
Construction	25.5	35.1	39.2	48.9	56.3	60.0
Education	59.3	55.3	57.8	58.8	62.0	64.8
Health	34.5	36.8	39.4	39.5	39.3	40.2
Other	222.1	262.8	275.9	278.6	300.8	306.8
Memoranda items:						
Labor force	901.7	959.8	986.1	1,001.20	1,042.80	1,054.00
Unemployed	30.9	33.3	35.6	32.9	32.9	29.9

Source: Data provided by the National Statistical Office.

1/ Excludes foreign employees.

**Table 13. Mongolia: Ulaanbaatar Consumer Price Index (CPI), 2002–07**

(December 2005 = 100)

	2002	2003	2004	2005	2006	2007
(Period average)						
Overall index	77.5	81.5	88.2	99.5	104.5	114.0
Food and Non-alcoholic beverages	69.8	75.4	85.2	100.8	106.0	118.6
Alcoholic beverages, Tobacco	89.9	87.3	91.3	99.9	101.5	104.4
Clothing and Footwear	92.5	95.5	96.4	98.2	103.7	105.7
Housing, Water, Electricity, Gas, and Others	89.2	89.5	91.1	99.0	100.4	109.7
Furniture, Household equipment etc.	91.5	90.7	92.4	97.2	102.0	112.8
Health	82.3	88.3	91.8	97.0	106.7	130.4
Transport	80.0	82.3	87.7	97.6	109.8	119.2
Communications	65.7	66.2	77.1	99.5	90.0	79.8
Recreation and Culture	84.4	91.9	98.1	100.1	103.4	107.0
Education	70.8	77.7	85.5	93.5	104.3	119.6
Restaurant and Hotels	78.7	81.5	87.4	97.2	104.3	117.6
Miscellaneous Goods and Services	77.1	86.5	94.0	98.6	104.7	108.8
(End of period)						
Overall index	78.6	82.3	91.4	100.0	106.0	122.0
Food and Non-alcoholic beverages	68.3	74.2	86.0	100.0	103.3	128.7
Alcoholic beverages, Tobacco	89.9	87.2	93.2	100.0	103.3	106.1
Clothing and Footwear	99.2	99.1	100.4	100.0	107.5	110.7
Housing, Water, Electricity, Gas, and Others	93.9	92.3	95.9	100.0	108.7	121.0
Furniture, Household equipment etc.	93.1	90.5	95.1	100.0	107.4	122.3
Health	85.8	90.0	93.3	100.0	123.6	141.1
Transport	81.9	84.4	94.2	100.0	112.1	124.0
Communications	66.2	66.2	94.7	100.0	86.6	77.3
Recreation and Culture	86.2	94.9	102.7	100.0	106.3	110.8
Education	73.8	83.1	88.9	100.0	110.3	132.5
Restaurant and Hotels	78.5	81.8	91.9	100.0	110.1	125.5
Miscellaneous Goods and Services	79.2	90.0	97.4	100.0	107.7	111.8
(Percent change)						
Memoranda items: 1/						
Annual average	0.3	5.1	8.3	12.7	5.1	9.0
End of period	1.6	4.7	11.0	9.5	6.0	15.1

Source: Data provided by the National Statistical Office.

1/ The overall CPIs in 2002-05 are slightly different from those in the Staff Report due to changes in the consumption basket starting from December 2005.

**Table 14. Mongolia: Ulaanbaatar Consumer Price Inflation, 2002–07**  
(12-month percentage change)

	2002	2003	2004	2005	2006	2007											
	Dec.	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
Overall consumer price index (CPI) 1/	1.6	4.7	11.0	9.5	6.0	4.2	5.4	5.9	5.2	5.7	6.3	7.1	11.3	13.2	14.2	14.4	15.1
Food and Non-alcoholic beverages	-1.8	8.7	15.9	16.2	3.3	2.3	5.2	6.6	4.6	6.4	7.5	8.9	15.2	21.4	19.7	21.2	24.6
Alcoholic beverages, Tobacco	-0.8	-3.0	6.9	7.2	3.3	2.9	1.1	2.5	2.3	2.2	1.9	1.7	5.0	4.6	5.1	2.9	2.7
Clothing and Footwear	5.7	-0.1	1.3	-0.4	7.5	6.7	5.6	3.1	0.1	-1.3	-0.2	0.4	-0.3	1.3	2.7	2.3	3.0
Housing, Water, Electricity, Gas, and Others	4.8	-1.7	3.9	4.3	8.7	3.7	3.7	4.8	7.9	7.7	8.1	11.0	14.4	7.7	16.4	13.3	11.3
Furniture, Household equipment etc.	2.3	-2.8	5.1	5.2	7.4	7.3	8.1	7.5	10.1	9.6	9.1	9.7	11.1	14.2	13.8	12.5	13.9
Health	9.2	4.9	3.6	7.2	23.6	23.8	23.0	22.3	23.2	23.2	23.7	23.7	35.0	32.9	13.8	13.0	14.2
Transport	0.7	3.1	11.6	6.2	12.1	5.4	6.7	5.2	6.1	4.8	6.7	6.7	8.7	7.3	16.7	17.0	10.6
Communications	10.8	0.0	42.9	5.6	-13.4	-16.6	-17.3	-10.3	-9.4	-7.6	-6.7	-13.5	-10.8	-10.6	-10.3	-10.6	-10.7
Recreation and Culture	1.8	10.0	8.2	-2.6	6.3	6.8	6.5	4.4	3.3	5.0	2.9	2.2	2.5	-0.2	1.0	2.8	4.2
Education	6.7	12.5	6.9	12.5	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	20.2	20.2	20.2	20.2	20.2
Restaurant and Hotels	0.0	4.2	12.4	8.8	10.1	11.4	13.1	11.8	11.3	11.6	11.6	11.6	11.9	17.0	13.2	13.6	14.0
Miscellaneous Goods and Services	4.3	13.6	8.2	2.7	7.7	6.9	7.0	6.8	7.6	4.1	1.3	1.3	1.7	1.5	2.6	3.9	3.8

Source: Data provided by the National Statistical Office.

1/ The overall CPIs in 2002-05 are slightly different from those in the Staff Report due to changes in the consumption basket starting from December 2005.

**Table 15. Mongolia: Retail Prices, 2002–07**

(End of period; in togrogs per kilogram; unless otherwise indicated)

	2002	2003	2004	2005	2006	2007
Mutton	950	1,227	1,500	2,003	2,035	2,464
Beef	1,081	1,327	1,733	2,265	2,291	2,782
Flour	297	409	442	397	408	665
Bread	266	288	312	320	320	420
Sugar	589	557	580	730	922	860
Rice	459	456	685	728	697	756
Vegetable oil (liter)	1,240	1,408	1,550	1,600	1,570	2,500
Tea bricks (2 kilograms)	2,267	1,947	2,400	2,720	2,760	2,900
Tobacco	1,600	1,650	1,650	1,775	1,850	1,975
Gasoline A-93 (liter)	435	520	673	800	920	1,140
Gasoline A-76 (liter)	400	470	600	736	780	994
Diesel (liter)	420	462	546	860	970	1,153

Sources: Data provided by the National Statistical Office; and Neft Import Concern.

**Table 16. Mongolia: Privatization of State-Owned Enterprises, 2001–07 1/**

	No. of Enterprises Privatized	Privatization Revenue (In millions of togrogs)
<b>2001</b>		
Total privatization	11	4,903
Large enterprises	1	4,446
Construction sector	0	0
Mineral sector	0	0
Agriculture sector	0	0
Other	1	4,446
Small enterprises and assets	10	457
<b>2002</b>		
Total privatization	25	15,912
Large enterprises	10	14,681
Construction sector	3	456
Mineral sector	0	0
Agriculture sector	1	145
Other	6	14,080
Small enterprises and assets	15	1,231
<b>2003</b>		
Total privatization	15	11,174
Large enterprises	7	10,928
Construction sector	2	106
Mineral sector	0	0
Agriculture sector	0	0
Other	5	10,823
Small enterprises and assets	8	245
<b>2004</b>		
Total privatization	20	18,429
Large enterprises	4	17,818
Construction sector	0	0
Mineral sector	0	0
Agriculture sector	0	0
Other	4	17,818
Small enterprises and assets	16	611
<b>2005</b>		
Total privatization	22	3,291
Large enterprises	5	1,671
Construction sector	0	0
Mineral sector	2	95
Agriculture sector	0	0
Other	3	1,576
Small enterprises and assets	17	1620.6
<b>2006</b>		
Total privatization	16	33,975
Large enterprises	1	23,418
Construction sector	1	107
Mineral sector		
Agriculture sector		
Other	7	9,781
Small enterprises and assets	6	670
<b>2007</b>		
Total privatization	13	20,411
Large enterprises	1	16,119
Construction sector		
Mineral sector		
Agriculture sector		
Other	6	3,876
Small enterprises and assets	6	416

Source: Data provided by the State Property Commission.

1/ Excludes privatization receipts of local governments.



**Table 17: Mongolia: Government Average Wages, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
Employment (thousands)	135.6	132.2	120.5	115.9	125.0	135.2
Wage bill (billions of togrogs)	105.0	116.9	128.8	132.4	196.6	292.5
Annual average wage (thousands of togrogs)	774.3	884.3	1,068.9	1,142.4	1,572.8	2,163.5
Nominal wage index (2000=100)	122.7	140.1	169.3	181.0	249.2	342.7
Percent change	12.5	14.2	20.9	6.9	37.7	37.6
CPI index (period average, 2000=100)	110.1	113.8	123.2	138.1	146.4	168.5
Percent change	1.1	3.3	8.3	12.1	6.0	15.1
Real wage index (2000=100)	111.4	123.1	137.4	131.0	170.2	203.4
Percent change	11.3	10.5	11.6	-4.7	29.9	19.5
Exchange rate (period average; togrogs/US\$)	1,110	1,147	1,187	1,205	1,177	1,170
Monthly per capita wage (US\$)	58.1	64.3	75.1	79.0	111.4	154.0

Sources: Data provided by the National Statistical Office; and the Ministry of Finance.

Table 18. Mongolia: Summary Operations of the General Government, 2002–07

	2002	2003	2004	2005	2006	2007	
						Amended Budget	Est.
(In billions of togrogs)							
Total revenue and grants	477.0	553.9	713.1	837.9	1,360.4	1,699.3	1,851.2
Total expenditure and net lending	550.5	615.8	752.5	764.6	1,059.5	1,847.1	1,751.6
Overall balance (incl. grants)	-73.4	-61.9	-39.4	73.3	300.9	-147.7	99.6
Nonmineral overall balance	-96.2	-103.1	-119.2	-37.9	-88.3	-764.5	-571.7
Financing	70.9	51.1	39.4	-73.3	-336.4	147.7	-99.6
Foreign (net)	81.8	-115.8	77.4	89.9	87.1	78.2	79.9
Domestic (net)	-10.9	166.9	-38.0	-163.2	-423.5	69.5	-179.5
(In percent of GDP)							
Total revenue and grants	33.8	33.4	33.1	30.1	36.6	37.3	40.6
Current revenue	33.2	32.8	32.8	30.0	36.4	37.2	40.5
Mineral revenue	1.6	2.5	3.7	4.0	10.5	13.5	14.7
Nonmineral revenue	31.6	30.4	29.1	26.0	26.0	23.6	25.7
Tax revenue and social security contributions	25.4	25.4	27.1	24.9	30.4	29.6	32.9
Income taxes	5.1	5.9	6.7	6.4	12.8	12.6	14.2
Enterprise income tax	3.3	4.1	4.6	4.3	6.0	5.1	4.8
Personal income tax	1.9	1.7	2.1	2.1	2.1	1.5	1.6
"Windfall" tax	0.0	0.0	0.0	0.0	4.8	5.9	7.8
Social security contributions	3.8	3.9	3.8	3.4	3.0	3.1	3.5
Sales tax and VAT	8.4	7.3	7.6	6.5	6.5	5.0	5.8
Excise taxes	3.6	3.5	3.3	2.8	2.7	2.4	2.9
Customs duties and export taxes	1.7	2.0	2.1	2.0	1.9	2.1	2.2
Other taxes	2.7	2.7	3.7	3.6	3.4	4.4	4.3
Nontax revenue	7.8	7.5	5.7	5.1	6.1	7.6	7.5
Capital revenue and grants	0.5	0.5	0.3	0.2	0.2	0.1	0.2
Total expenditure and net lending	39.0	37.1	35.0	27.5	28.5	40.5	38.4
Current expenditure	29.4	26.2	25.0	21.6	21.7	27.0	26.4
Wages and salaries	7.4	7.0	6.4	5.6	5.3	6.7	6.4
Purchase of goods and services	12.8	10.5	10.1	8.3	8.6	8.2	8.4
Subsidies to public enterprises	0.6	0.6	0.5	0.3	0.3	0.3	0.3
Transfers	7.2	7.0	6.9	6.6	7.0	11.1	10.8
Interest payments	1.4	1.1	1.1	0.7	0.5	0.5	0.4
Contingency allocation	...	...	...	0.0	0.0	0.0	0.0
Capital expenditure and net lending	10.9	10.9	9.9	5.9	6.9	13.6	12.1
Capital expenditure	4.8	5.4	4.9	3.2	4.7	11.3	9.8
Domestically-financed	3.7	4.0	3.8	2.9	4.5	10.5	9.5
Foreign-financed	1.1	1.4	1.0	0.4	0.2	0.8	0.4
Net lending	4.7	5.4	5.1	2.7	2.1	2.2	2.2
On-lent foreign project loans	4.7	5.1	4.9	3.2	2.4	2.0	1.4
Domestic lending minus repayments	0.0	0.4	0.1	-0.5	-0.3	0.0	0.8
Current balance (excl. privatization receipts)	3.9	6.6	7.8	8.4	14.8	10.2	14.1
Primary balance	-3.8	-2.7	-0.8	3.4	8.6	-2.7	2.6
Overall balance (incl. grants)	-5.2	-3.7	-1.8	2.6	8.1	-3.2	2.2
Nonmineral overall balance	-6.8	-6.2	-5.5	-1.4	-2.4	-16.8	-12.5
Discrepancy between deficit from above and below the line	-0.2	-0.6	0.0	0.0	-1.0	0.0	0.0
Financing	5.0	3.1	1.8	-2.6	-9.1	3.2	-2.2
Foreign (net)	5.8	-7.0	3.6	3.2	2.3	3.5	1.8
External borrowing (net)	5.8	-7.0	3.0	3.0	2.3	1.0	1.8
Disbursements	6.8	11.6	4.3	4.0	3.0	2.1	1.8
Amortization	1.0	18.6	1.3	0.9	0.6	1.1	0.0
External arrears	0.0	0.0	0.6	0.2	0.0	0.0	0.0
Domestic (net)	-0.8	10.1	-1.8	-5.9	-11.4	1.5	-3.9
Banking system (net)	-2.0	8.4	-2.5	-5.9	-11.8	0.8	-4.2
Nonbank	1.2	1.7	0.7	0.0	0.4	0.7	0.2
Privatization receipts	1.2	1.3	0.8	0.2	0.4	0.7	0.4
Other nonbank (net)	0.0	0.4	0.0	-0.2	0.0	0.0	-0.1
<b>Memorandum items:</b>							
Mineral revenue/total revenue and grants (in percent)	4.8	7.4	11.2	13.3	28.6	32.2	36.3
Total public debt (incl. IMF)	79.5	98.5	81.4	60.3	46.7	41.1	40.0
Foreign debt (incl. IMF)	76.9	85.4	74.6	56.6	45.0	40.5	39.4
Domestic debt	2.7	13.1	6.8	3.7	1.7	0.6	0.6
Governments deposits	4.5	6.9	4.5	5.3	14.5	10.0	15.0
Net public debt	75.0	91.6	76.9	55.1	32.2	31.0	25.0
NPV of total public debt	55.1	70.5	57.9	44.5	29.8	25.7	21.6
Nominal GDP (in billions togrogs)	1,413	1,660	2,152	2,780	3,715	4,558	4,558
Copper price per ton (in U.S. dollars)	1,560	1,779	2,863	3,676	6,731	7,132	7,132

Sources: Ministry of Finance; and Fund staff estimates and projections.

Table 19. Mongolia: General Government Revenue, 2002–07

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
Total revenue and grants	477.0	553.9	713.1	837.9	1,360.4	1,851.2
Current revenue	469.7	545.2	706.3	832.6	1,354.1	1,843.7
Tax revenue and social security contributions	359.2	421.0	583.1	692.2	1,128.1	1,500.7
Income taxes	72.4	97.6	144.1	178.5	476.8	647.8
Enterprise income tax	46.3	68.8	98.6	120.6	222.3	219.1
of which Erdenet	9.5	29.8	52.9	61.3	130.4	73.9
Windfall profit tax						353.7
Personal income tax	26.2	28.8	45.5	58.0	77.0	75.0
Social security contributions	54.4	65.2	82.1	95.6	111.9	158.4
Sales tax and VAT	118.7	121.9	163.1	181.0	241.3	263.2
Domestic VAT (Sales tax prior to 1998)	40.7	47.9	57.4	70.6	87.9	108.2
VAT on imports (Sales tax prior to 1998)	78.0	94.3	136.9	157.5	199.5	196.8
VAT refund						-41.8
Excise taxes	51.3	58.6	70.3	79.0	100.1	133.8
Excise on alcohol	20.6	19.8	23.3	26.1	26.2	37.2
Excise on vodka and tobacco	3.5	3.7	4.2	6.3	8.0	11.0
Excise on imported beer	2.9	3.3	3.3	2.0	2.6	3.2
Excise on vehicles	6.0	10.5	14.7	16.7	26.1	38.9
Excise on petroleum	18.3	21.3	24.8	25.2	26.2	29.3
Customs duties and export taxes	24.6	32.6	44.7	57.0	72.1	102.5
Customs duties	23.8	31.1	40.8	53.2	65.2	96.3
Export taxes	0.8	1.6	3.9	3.8	6.8	6.2
Other taxes	37.7	45.1	78.8	101.1	125.9	195.0
Petrol and diesel tax	4.9	5.7	6.1	5.9	6.0	6.7
Vehicle license fee	3.7	4.0	4.8	5.1	5.3	6.3
Tax on private property	3.4	4.6	5.7	6.3	6.9	8.1
Other	25.8	30.8	62.1	83.8	107.7	173.9
Nontax revenue	110.6	124.3	123.2	140.4	226.0	342.9
Interest and fines	9.1	17.6	20.5	14.5	19.2	27.7
Own budget revenues	48.0	65.0	65.2	68.8	116.9	130.1
Dividends	6.4	1.3	4.1	22.8	48.4	141.9
of which: Erdenet	2.5	0.1	1.9	18.1		
Other nontax revenue	47.2	40.4	33.4	34.3	41.4	43.2
Capital revenue and grants	7.3	8.7	6.8	5.3	6.3	2.5
Capital revenue	0.5	0.0	0.8	1.0	1.6	2.5
Grants 1/	6.8	8.7	6.1	4.3	4.7	5.0
(In percent of total revenue)						
Current revenue	98.5	98.4	99.0	99.4	99.5	99.6
Tax revenue and social security contributions	75.3	76.0	81.8	82.6	82.9	81.1
Enterprise income tax	9.7	12.4	13.8	14.4	16.3	11.8
Personal income tax	5.5	5.2	6.4	6.9	5.7	4.1
Social security contributions	11.4	11.8	11.5	11.4	8.2	8.6
Taxes on goods and services	35.6	32.6	32.7	31.0	25.1	21.4
Customs duties and import surcharges	5.2	5.9	6.3	6.8	5.3	5.5
Other taxes	7.9	8.1	11.1	12.1	9.3	10.5
Nontax revenue	23.2	22.4	17.3	16.8	16.6	18.5
Capital revenue	0.1	0.0	0.1	0.1	0.1	0.1
Grants	1.4	1.6	0.8	0.5	0.3	0.3
(In percent of GDP)						
Total revenue	33.8	33.4	33.1	30.1	36.6	40.6
Current revenue	33.2	32.8	32.8	30.0	36.4	40.5
Tax revenue and social security contributions	25.4	25.4	27.1	24.9	30.4	32.9
Enterprise income tax	3.3	4.1	4.6	4.3	6.0	4.8
Personal income tax	1.9	1.7	2.1	2.1	2.1	1.6
Windfall profit tax						
Social security contributions	3.8	3.9	3.8	3.4	3.0	3.5
Taxes on goods and services	12.0	10.9	10.8	9.4	9.2	8.7
Customs duties and import surcharges	1.7	2.0	2.1	2.0	1.9	2.2
Other taxes	2.7	2.7	3.7	3.6	3.4	4.3
Nontax revenue	7.8	7.5	5.7	5.1	6.1	7.5
Capital revenue	0.0	0.0	0.0	0.0	0.0	0.1
Grants	0.5	0.5	0.3	0.2	0.1	0.1

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ Grants refer to the counterpart funds received in the budget from grant recipients. This differs from the balance of payments definition which records grants when they are received from abroad.

Table 20. Mongolia: General Government Expenditure, 2002–07

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
Total expenditure and net lending	550.5	615.8	752.5	764.6	1059.5	1751.6
Current expenditure	415.3	434.8	538.7	600.3	804.8	1202.1
Wages and salaries	105.0	116.9	137.5	155.4	196.6	292.5
Goods and services	180.8	174.9	217.5	231.3	318.4	383.5
Subsidies and current transfers	109.9	125.4	160.5	192.9	271.8	507.9
Subsidies 1/	8.8	9.4	11.4	8.1	12.3	15.5
Transfers	101.1	116.0	149.1	184.8	259.5	492.4
Social Security Fund	73.3	87.5	116.2	132.0	173.0	253.1
Social Assistance Fund	17.4	19.8	23.0	41.7	74.8	120.9
Other transfers	10.5	8.7	9.8	11.0	11.7	118.4
Interest payment	19.6	17.6	23.2	20.7	18.1	18.3
Capital expenditure and net lending	135.2	180.9	213.8	164.3	254.7	549.5
Domestically financed capital expenditure	52.3	67.2	82.7	79.4	167.0	432.2
Domestic lending minus repayment	0.7	6.1	2.8	-14.2	-10.0	37.4
Foreign financed projects	82.2	107.6	128.3	99.1	97.6	79.9
(In percent of total expenditure)						
Current expenditure	75.4	70.6	71.6	78.5	76.0	68.6
Wages and salaries	19.1	19.0	18.3	20.3	18.6	16.7
Goods and services	32.8	28.4	28.9	30.2	30.0	21.9
Subsidies and transfers	20.0	20.4	21.3	25.2	25.7	29.0
Subsidies	1.6	1.5	1.5	1.1	1.2	0.9
Transfers and other	18.4	18.8	19.8	24.2	24.5	28.1
Social Security Fund	13.3	14.2	15.4	17.3	16.3	14.4
Other	5.1	4.6	3.1	6.9	8.2	13.7
Interest payments	3.6	2.9	3.1	2.7	1.7	1.0
Capital expenditure and net lending	24.6	29.4	28.4	21.5	24.0	31.4
Domestically financed capital expenditure	9.5	10.9	11.0	10.4	15.8	24.7
Domestic lending minus repayment	0.1	1.0	0.4	-1.9	-0.9	2.1
Foreign financed projects	14.9	17.5	17.0	13.0	9.2	4.6
(In percent of GDP)						
Total expenditure and net lending	39.0	37.1	35.0	27.5	28.5	38.4
Current expenditure	29.4	26.2	25.0	21.6	21.7	26.4
Wages and salaries	7.4	7.0	6.4	5.6	5.3	6.4
Goods and services	12.8	10.5	10.1	8.3	8.6	8.4
Subsidies and current transfers	7.8	7.6	7.5	6.9	7.3	11.1
Subsidies	0.6	0.6	0.5	0.3	0.3	0.3
Transfers	7.2	7.0	6.9	6.6	7.0	10.8
Social Security Fund	5.2	5.3	5.4	4.8	4.7	5.6
Social Assistance Fund	1.2	1.2	1.1	1.5	2.0	2.7
Other transfers	0.7	0.5	0.0	0.4	0.3	2.6
Interest payment	1.4	1.1	1.1	0.7	0.5	0.4
Capital expenditure and net lending	9.6	10.9	9.9	5.9	6.9	12.1
Domestically financed capital expenditure	3.7	4.0	3.8	2.9	4.5	9.5
Domestic lending minus repayment	0.0	0.4	0.1	-0.5	-0.3	0.8
Foreign financed projects	5.8	6.5	6.0	3.6	2.6	1.8

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ Beginning in 2001, this item includes subsidies to state-owned enterprises for quasi-fiscal activities which, previously, had been recorded under purchases of goods and services.

Table 21. Mongolia: General Government Expenditure by Function, 2002–07

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
Total expenditure	550.5	615.8	752.5	764.6	1,059.5	1,751.6
General public services	54.0	53.7	63.7	69.2	82.9	176.1
Defense	28.1	27.9	32.9	35.9	45.7	66.2
Public order and safety	30.5	33.4	44.2	49.8	63.3	87.6
Education	103.7	115.4	141.0	147.8	195.1	251.6
Health	58.0	58.1	73.2	80.2	195.4	140.2
Social security and welfare	96.9	117.6	150.6	185.7	258.1	487.6
Housing and community services	7.6	6.3	9.6	8.0	1.0	6.0
Recreation and culture	17.5	18.2	21.5	20.8	26.5	37.9
Economic affairs	58.9	73.5	84.9	85.1	156.7	418.3
Other 1/	95.3	111.7	130.9	82.2	34.9	80.2
(In percent of total expenditure)						
General public services	9.8	8.7	8.5	9.0	7.8	10.1
Defense	5.1	4.5	4.4	4.7	4.3	3.8
Public order and safety	5.5	5.4	5.9	6.5	6.0	5.0
Education	18.8	18.7	18.7	19.3	18.4	14.4
Health	10.5	9.4	9.7	10.5	18.4	8.0
Social security and welfare	17.6	19.1	20.0	24.3	24.4	27.8
Housing and community services	1.4	1.0	1.3	1.0	0.1	0.3
Recreation and culture	3.2	3.0	2.9	2.7	2.5	2.2
Economic affairs	10.7	11.9	11.3	11.1	14.8	23.9
Other 1/	17.3	18.1	17.4	10.7	3.3	4.6
(In percent of GDP)						
Total expenditure	39.0	37.1	35.0	27.5	28.5	38.4
General public services	3.8	3.2	3.0	2.5	2.2	3.9
Defense	2.0	1.7	1.5	1.3	1.2	1.5
Public order and safety	2.2	2.0	2.1	1.8	1.7	1.9
Education	7.3	7.0	6.6	5.3	5.3	5.5
Health	4.1	3.5	3.4	2.9	5.3	3.1
Social security and welfare	6.9	7.1	7.0	6.7	6.9	10.7
Housing and community services	0.5	0.4	0.4	0.3	0.0	0.1
Recreation and culture	1.2	1.1	1.0	0.7	0.7	0.8
Economic affairs	4.2	4.4	3.9	3.1	4.2	9.2
Other 1/	6.7	6.7	6.1	3.0	0.9	1.8

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ Includes capital expenditure and net lending (foreign-financed projects).

**Table 22. Mongolia: General Government Social Expenditure, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
Total expenditure	550.5	615.8	752.5	764.6	1,059.5	1,751.6
Social expenditure	283.7	315.6	395.9	442.1	676.1	923.2
Social security and social assistance	96.9	117.6	150.6	185.5	258.1	487.6
Education	103.7	115.4	141.0	147.6	195.1	251.6
Health	58.0	58.1	73.2	80.2	195.4	140.2
Housing and community services	7.6	6.3	9.6	8.0	1.0	6.0
Recreational, cultural affairs and services	17.5	18.2	21.5	20.8	26.5	37.9
(In percent of total expenditure)						
Social expenditure	51.5	51.3	52.6	57.8	63.8	52.7
Social security and social assistance	17.6	19.1	20.0	24.3	24.4	27.8
Education	18.8	18.7	18.7	19.3	18.4	14.4
Health	10.5	9.4	9.7	10.5	18.4	8.0
Housing and community	1.4	1.0	1.3	1.0	0.1	0.3
Recreational, cultural affairs and services	3.2	3.0	2.9	2.7	2.5	2.2

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

**Table 23. Mongolia: Subsidies and Transfers, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
Total subsidies and transfers	109.9	125.4	160.5	192.9	271.8	507.9
Total subsidies	8.8	9.4	11.4	8.1	12.3	15.5
Energy	8.6	7.9	8.1	4.4	7.4	8.7
Urban transport	0.0	1.5	3.2	0.8	4.9	6.8
Other	0.1	0.0	0.0	2.9	0.0	0.0
Total transfers	101.1	116.0	149.1	184.8	259.5	492.4
Social Security Fund	73.3	87.5	116.2	132.0	173.0	253.1
Social Assistance Fund	17.4	19.8	23.0	41.7	74.8	120.9
Other	10.5	8.7	9.8	11.1	11.7	118.4
(In percent of GDP)						
Total subsidies and transfers	7.8	7.6	7.5	6.9	7.3	11.1
Total subsidies	0.6	0.6	0.5	0.3	0.3	0.3
Total transfers	7.2	7.0	6.9	6.6	7.0	10.8

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

**Table 24. Mongolia: Social Security and Social Assistance Funds, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(In billions of togrogs)						
<b>Social Security Fund</b>						
Total revenue	83.6	94.6	115.3	132.1	159.0	212.3
Budget transfers	24.4	24.4	42.0	44.2	58.9	101.6
Social security contributions 1/	76.5	84.9	107.2	123.7	147.5	199.3
Civil servants	23.4	25.5	28.2	31.5	49.7	71.7
Business entities	27.8	36.0	43.5	51.7	61.5	79.7
Employees	25.4	24.4	35.5	40.5	36.4	47.9
Other	2.2	4.8	3.1	3.4	6.7	8.2
Total expenditure	73.3	87.5	116.2	132.0	173.0	253.1
Old age pension	47.0	55.3	73.6	83.5	111.6	165.0
Handicapped persons	7.5	9.5	14.3	16.6	21.5	31.0
Survivors' benefits	7.8	9.0	12.1	12.9	16.3	23.8
Disability benefits	1.1	1.3	1.5	1.6	1.8	1.9
Death benefits	1.6	1.8	1.9	1.9	1.9	1.9
Allowance for accidents	2.4	3.0	4.0	4.6	6.6	9.8
Serviceman's pension	4.2	5.3	6.6	7.8	9.5	14.3
Unemployment benefits	0.6	1.1	1.0	1.1	1.5	1.8
Other	1.0	1.2	1.3	2.0	2.3	3.6
Overall balance	9.2	8.8	12.0	13.0	14.7	27.2
<b>Social Assistance Fund</b>						
Total expenditure	17.3	19.8	23.2	41.7	74.8	120.9
Pregnancy	4.3	4.2	4.3	4.1	3.9	16.9
Mothers with large families	0.7	0.8	0.8	0.0	26.2	37.9
Child care	0.1	0.1	0.2	0.1	0.1	0.0
Twins	0.0	0.0	0.0	0.1	0.1	0.0
Infant nursing	4.3	4.8	5.7	5.7	5.6	0.5
Social pension	4.4	5.7	7.1	7.6	12.0	15.5
War veterans	2.2	2.4	3.0	3.5	2.7	1.9
Other	1.4	1.7	2.1	20.6	24.3	48.2
(In percent of total government expenditure)						
<b>Memoranda items:</b>						
Social Security Fund expenditure	13.3	14.2	15.4	17.3	16.3	14.4
Budget transfers to the Social Security Fund	4.4	4.0	5.6	5.8	5.6	5.8
Social Assistance Fund expenditure	3.2	3.2	3.1	5.5	7.1	6.9
(In percent of GDP)						
Social Security Fund expenditure	5.2	5.3	5.4	4.7	4.7	5.6
Budget transfers to the Social Security Fund	1.7	1.5	2.0	1.6	1.6	2.2
Social Assistance Fund expenditure	1.2	1.2	1.1	1.5	2.0	2.7

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ A part of social security contributions constitutes intergovernmental transfers.



**Table 25. Mongolia: Number of Social Security Beneficiaries, 2002–07**

(In thousands)

	2002	2003	2004	2005	2006	2007 Est.
Social security	344.1	364.0	365.5	379.7	391.5	400.9
Old age	173.0	175.9	176.3	190.9	193.8	185.9
Handicapped persons	42.7	41.6	52.7	49.8	53.2	52.8
Survivors' benefits	36.7	37.7	37.8	36.0	36.3	34.6
Disability benefits	54.8	64.3	58.1	61.3	60.0	68.0
Other benefits	37.0	44.6	40.5	41.7	48.2	59.7
Social assistance	285.1	354.1	378.7	341.6	237.7	1,492.4
Pregnancy	49.3	51.5	54.5	45.5	43.8	77.5
Mothers with large families	17.5	35.7	33.5	56.7	33.7	948.7
Child care	4.6	5.9	7.5	6.7	5.8	22.3
Twins	0.3	0.3	0.3	0.3	0.3	0.0
Infant nursing	57.1	58.4	59.1	56.7	50.0	0.0
War veterans	86.5	107.1	125.2	111.5	51.4	6.5
Social pension	37.3	39.7	43.6	41.8	43.8	44.2
Disabled Nursing homes for elderly	15.5	19.3	27.9	22.4	8.9	0.0
Other	16.8	36.2	27.1	0.0	0.0	393.2

Source: Data provided by the Ministry of Finance.

**Table 26. Mongolia: Government Employment and Wage Bill, 2002–07**

	2002	2003	2004	2005	2006	2007 Est.
(Number of positions)						
Government employment						
General public services	16,114	14,744	13,807	14,443	14,188	15,845
Public order and safety	12,186	14,506	9,569	15,055	15,095	16,353
Education	50,928	47,927	48,444	46,113	46,076	47,019
Health	25,770	24,643	23,023	22,332	22,953	23,998
Social security and welfare	686	643	608	788	821	2,297
Recreation and culture	5,923	5,721	5,174	5,457	5,311	6,635
Agriculture and forestry	1,404	1,207	1,037	1,417	1,283	1,343
Other services	22,582	22,774	18,833	19,652	19,238	21,712
Total	135,591	132,164	120,493	125,255	124,964	135,202
(In billions of togrogs)						
Wages and salaries						
General public services	14.9	16.2	18.5	20.3	27.8	39.6
Public order and safety	13.5	14.9	17.9	20.1	28.3	46.0
Education	41.4	46.4	45.4	50.2	67.6	106.3
Health	16.2	17.8	22.9	24.8	35.1	51.4
Social security and welfare	0.4	0.4	0.5	0.8	1.0	4.6
Recreation and culture	4.1	4.3	4.5	5.3	7.0	10.7
Agriculture and forestry	0.9	0.8	0.8	1.2	1.7	2.5
Other services	13.6	16.1	18.0	20.0	29.0	46.1
Total	105.0	116.9	128.5	142.8	197.6	307.3

Source: Data provided by the Ministry of Finance.

**Table 27. Mongolia: Expenditure of the Health Sector, 2002–07**

(In billions of togrogs)

	2002	2003	2004	2005	2006	2007 Est.
Total expenditure	58.0	58.1	73.2	79.9	99.7	150.6
Wages and salaries	16.2	17.8	22.9	24.8	34.3	51.4
Social security	4.4	4.8	6.0	6.7	8.9	13.5
Social security payments	3.6	4.0	5.0	5.5	7.4	11.0
Health insurance	0.8	0.8	1.0	1.2	1.4	2.5
Other goods and services	34.5	32.2	40.8	44.6	50.7	65.0
Electricity	1.6	1.7	1.8	2.0	2.0	2.4
Fuel and heating	5.3	5.3	5.8	6.6	7.4	8.5
Transport (fuel)	2.0	2.0	2.6	3.4	3.8	4.8
Food	2.7	2.9	3.4	3.5	3.8	4.4
Medicines	9.1	10.0	12.0	12.5	14.0	16.2
Other	13.8	10.3	15.2	16.6	19.6	28.6
Investment	2.0	2.3	2.4	2.3	5.0	17.2
Capital repair expenditures	0.9	1.1	1.1	1.0	0.9	3.6

Source: Data provided by the Ministry of Finance.

**Table 28. Mongolia: Expenditure of the Education Sector, 2002–07**

(In billions of togrogs)

	2002	2003	2004	2005	2006	2007 Est.
Total expenditure	103.7	115.4	141.0	145.0	195.1	257.9
Wages and salaries	41.4	46.4	45.4	50.1	68.4	106.3
Social security	10.5	11.8	11.8	13.0	17.8	27.9
Social security payments	8.7	9.7	9.8	10.8	15.2	22.8
Health insurance	1.8	2.1	2.1	2.2	2.6	5.1
Other goods and services	43.9	47.8	72.0	71.7	93.0	90.8
Electricity	2.6	2.9	3.0	3.1	3.5	3.5
Fuel and heating	14.2	15.5	17.1	19.9	22.1	25.5
Transport (fuel)	0.7	0.7	0.9	0.9	1.3	1.0
Food	5.9	7.7	9.5	10.6	14.6	15.5
Medicines	0.0	0.0	0.0	7.2	0.0	0.0
Other	20.4	21.0	41.4	30	51.4	45.3
Investment	3.1	4.9	4.5	6.8	9.0	2.1
Capital repair expenditures	1.8	1.2	1.6	1.2	0.9	5.3
Lending minus repayment	3.1	3.2	5.7	2.2	6.1	6.3

Source: Data provided by the Ministry of Finance.

Table 29. Mongolia: Monetary Survey, 2002–07

	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of togrogs)												
Broad money	470	704	846	1,162	1,205	1,463	1,528	1,520	1,725	1,998	2,175	2,391
Currency	121	131	144	152	145	198	189	185	216	262	267	283
Deposits	349	572	703	1,009	1,061	1,265	1,339	1,335	1,509	1,736	1,908	2,108
Demand deposits	67	81	78	117	130	130	142	147	185	240	248	307
Togrog deposits	147	240	301	448	492	543	576	677	815	927	1,015	1,104
Foreign exchange deposits	135	250	324	445	439	592	621	511	509	569	645	697
Net foreign assets	308	232	283	544	555	791	945	1,106	1,237	1,369	1,465	1,401
Net international reserves	322	278	294	551	564	782	942	1,118	1,249	1,387	1,479	1,414
Bank of Mongolia	254	151	198	364	411	449	595	801	994	1,136	1,241	1,141
Commercial banks	68	128	96	187	153	333	347	317	256	250	238	273
Other NFA	-13	-47	-11	-7	-9	10	3	-12	-12	-17	-14	-13
Bank of Mongolia	0	0	1	8	4	20	14	0	0	0	0	0
Commercial banks	-13	-47	-13	-15	-13	-10	-11	-12	-12	-17	-14	-13
Net domestic assets	162	472	564	618	650	672	583	414	489	629	710	991
Domestic credit	243	601	740	904	946	983	910	837	953	1,080	1,204	1,444
Net credit to government	7	152	94	-1	-50	-121	-267	-440	-510	-587	-732	-691
Credit	71	266	190	146	135	134	114	77	73	92	100	60
Minus: Deposits	63	114	96	146	185	255	381	517	583	680	832	751
Claims on nonbanks	236	449	646	905	996	1,103	1,177	1,277	1,463	1,667	1,935	2,135
Claims on public enterprises	12	16	13	34	29	30	33	36	36	23	22	26
Claims on the private sector	204	390	552	776	858	966	1,011	1,122	1,298	1,511	1,743	1,957
Nonperforming loans	17	37	71	79	90	89	110	95	99	107	135	115
Accrued interest receivable on loan	4	7	11	16	19	19	23	24	30	27	36	36
Other items, net	-82	-129	-176	-286	-296	-311	-326	-423	-464	-451	-494	-453
Memoranda items:												
(12-month percentage changes)												
Broad money 1/	41.9	49.7	20.3	37.3	35.1	45.0	37.4	30.8	43.1	31.5	42.4	57.3
Net foreign assets	40.1	-24.9	22.0	92.4	68.1	110.4	96.8	103.3	122.7	23.8	55.0	26.7
Domestic credit	43.2	147.0	23.0	22.3	26.6	22.1	9.8	-7.5	0.7	29.0	32.4	72.5
Claims on public enterprises	17.1	32.8	-22.5	171.6	114.8	33.6	54.1	6.3	25.6	-37.1	-33.5	-28.5
Claims on the private sector	77.4	91.3	41.6	40.6	47.6	49.6	44.1	44.5	51.2	34.7	72.4	74.5
(Key ratios)												
Currency/total deposits	34.6	23.0	20.4	15.1	13.7	15.7	14.1	13.9	14.3	15.1	14.0	13.4
Demand deposits/total deposits	19.2	14.2	11.1	11.6	12.2	10.3	10.6	11.0	12.3	13.8	13.0	14.6
Togrog time deposit/total deposits	42.1	42.0	42.8	44.4	46.4	42.9	43.0	50.7	54.0	53.4	53.2	52.4
Foreign exchange time deposits/total deposits	38.7	43.7	46.1	44.0	41.4	46.8	46.4	38.3	33.7	32.8	33.8	33.0
Currency/broad money	25.7	18.7	17.0	13.1	12.0	13.5	12.4	12.2	12.5	13.1	12.3	11.8
Demand deposits/broad money	14.2	11.6	9.2	10.0	10.7	8.9	9.3	9.7	10.7	12.0	11.4	12.8
Time deposits/broad money	60.1	69.7	73.9	76.8	77.2	77.5	78.3	78.2	76.7	74.9	76.3	75.3
Foreign exchange deposits/broad money	28.8	35.6	38.3	38.3	36.4	40.4	40.7	33.6	29.5	28.5	29.6	29.1

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

Table 30. Mongolia: Balance Sheet of the Bank of Mongolia, 2002–07

	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of togrogs)												
Reserve money	175	201	235	281	308	376	377	387	436	520	460	540
Currency outside Banks	121	131	144	152	145	198	189	185	216	262	267	283
DMB reserves	55	69	91	129	163	178	187	202	220	258	192	257
Cash in vaults	14	21	25	39	42	43	50	60	49	57	66	81
Demand deposits of DMBs	41	48	66	90	121	135	137	142	172	200	126	176
Deposits of business units	0	0	0	0	0	0	0	0	0	0	0	0
Net Foreign Assets	254	151	199	372	415	469	609	801	994	1,136	1,241	1,141
Net international reserves	254	151	198	364	411	449	595	801	994	1,136	1,241	1,141
Assets	302	238	251	407	449	489	633	837	1,027	1,168	1,273	1,171
Minus: Liabilities	48	87	54	43	39	39	38	36	34	32	31	30
Other assets, net	0	0	1	8	4	20	14	0	0	0	0	0
Assets	0	0	1	8	4	20	14	0	0	0	0	0
Minus: Liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Net Domestic Assets	-79	50	36	-91	-107	-93	-233	-414	-557	-616	-782	-600
Net Credit to Government	6	128	106	52	-2	-72	-190	-333	-431	-510	-637	-571
Credit	40	219	159	143	130	129	107	73	69	69	61	36
Government bonds	40	59	53	43	39	39	82	73	69	69	61	36
Treasury IMF account	40	55	53	43	38	38	36	36	34	33	34	33
Reconstruction bonds	0	4	0	0	1	0	0	2	2	2	3	2
Treasury bills	0	0	0	0	0	0	45	34	34	34	24	0
Other	0	160	105	99	91	91	26	0	0	0	0	0
Minus: Deposits	34	92	53	90	132	201	297	405	501	579	698	607
Domestic currency	30	73	43	48	88	97	112	246	204	382	453	553
Foreign currency	4	19	10	42	45	104	185	159	297	197	246	54
Claims on deposit money banks	8	13	22	18	18	18	18	18	22	20	22	19
Claims on nonbanks	1	1	0	0	0	0	0	0	0	0	0	0
Minus: Central bank bills (net)	61	76	69	126	110	69	84	71	129	120	128	103
Other items, net	-33	-15	-23	-35	-13	30	23	-28	-19	-6	-38	55
Of which: precious metals	7	8	6	10	11	51	43	11	26	26	45	133
Memoranda items:												
Reserve money growth (12 month percent change)	21.7	14.7	16.8	19.7	21.7	27.2	26.8	37.7	41.7	38.4	22.1	39.6
Broad money/reserve money (ratio)	2.7	3.5	3.6	4.1	3.9	3.9	4.1	3.9	4.0	3.8	4.7	4.4

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

Table 31. Mongolia: Consolidated Balance Sheet of Commercial Banks, 2002–07

	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of togrogs)												
Assets	354	585	727	1,028	1,079	1,284	1,357	1,354	1,533	1,757	1,930	2,127
Net foreign assets	54	81	84	172	140	322	336	305	243	233	224	260
Net international reserves	68	128	96	187	153	333	347	317	256	250	238	273
Assets	71	132	138	227	194	379	402	381	325	343	342	381
Minus: Liabilities	3	5	41	40	41	47	54	64	70	93	105	109
Other foreign assets, net	-13	-47	-13	-15	-13	-10	-11	-12	-12	-17	-14	-13
Assets	0	0	0	0	0	0	0	0	0	0	0	0
Minus: Liabilities	13	47	13	15	13	10	11	12	12	17	14	13
Net domestic assets	299	504	643	855	939	962	1,022	1,049	1,290	1,524	1,707	1,867
Reserves	55	69	88	126	155	159	169	190	203	230	177	252
Cash	14	21	25	39	42	43	50	60	49	57	66	81
Deposits with BOM	41	48	64	87	114	116	119	130	155	172	111	171
Central bank bills	61	76	69	126	109	69	84	71	129	119	127	103
Domestic credit	236	473	634	852	949	1,054	1,099	1,169	1,384	1,590	1,841	2,015
Net credit to government	1	24	-12	-53	-47	-49	-77	-107	-79	-77	-94	-120
Claims on Government	31	47	31	3	5	5	7	5	3	24	39	24
Less: Government deposits	30	23	43	56	52	54	84	112	82	101	133	144
Loans to nonbanks	235	449	646	905	996	1,103	1,177	1,277	1,463	1,667	1,935	2,135
Public enterprises	11	16	13	34	29	30	33	36	36	23	22	26
Private sector	204	390	552	776	858	966	1,011	1,122	1,298	1,511	1,743	1,957
Nonperforming loans	12	21	39	50	54	60	68	60	61	62	69	68
Accrued interest receivable on loans	4	7	11	16	19	19	23	24	30	27	36	36
Other assets, net	-52	-114	-149	-248	-275	-321	-331	-381	-427	-415	-439	-502
Liabilities	354	585	727	1,028	1,079	1,284	1,357	1,354	1,533	1,757	1,930	2,127
Deposits	349	572	703	1,009	1,061	1,265	1,339	1,335	1,509	1,736	1,908	2,108
Demand deposits	67	81	78	117	130	130	142	147	185	240	248	307
Time and savings deposits	147	240	301	448	492	543	576	677	815	927	1,015	1,104
Foreign currency deposits	135	250	324	445	439	592	621	511	509	569	645	697
Deposits of NBFIs	0	0	1	0	0	5	3	0	0	0	0	6
Borrowing from BoM	4	13	24	18	18	19	19	19	24	21	22	19
(In millions of U.S. dollars)												
Memoranda items:												
Net foreign assets	48.2	69.2	69.4	141.0	119.4	274.9	287.6	261.7	208.7	200.3	189.1	222.0
Foreign currency deposits	120.2	214.2	268.2	364.1	374.2	504.9	531.9	438.9	436.7	489.2	544.5	595.4

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

**Table 32. Mongolia: Distribution of Bank Credit to the Nongovernment Sector, 2002–07**

(In percent of total loans; end of period)

	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
By maturity 1/	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term	91.0	76.2	78.5	73.0	72.1	63.8	59.0	53.5	48.5	45.1	50.8	47.6
Medium-term	5.8	20.9	16.8	22.9	23.4	31.7	36.7	41.6	46.6	48.7	43.7	44.4
Long-term	3.2	2.9	4.7	4.2	4.5	4.5	4.4	5.0	4.9	6.2	5.6	8.1
By economic sectors	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Industrial	50.0	41.8	41.3	41.7	40.8	38.3	39.4	38.0	40.2	45.3	47.6	44.1
Agriculture, hunting and forestry	4.1	5.1	4.6	6.2	6.9	6.9	8.1	8.3	9.0	8.1	8.5	7.8
Mining and quarrying	16.0	8.3	8.3	9.3	9.4	7.6	8.4	7.8	8.2	9.1	10.1	6.3
Manufacturing	22.1	18.5	17.6	14.9	14.3	13.8	12.8	11.9	11.8	12.5	12.1	12.2
Electricity, gas and water supply	1.6	2.1	2.6	2.4	2.0	1.6	1.4	1.2	1.5	1.3	1.7	1.6
Construction	6.3	7.8	8.2	9.0	8.2	8.4	8.7	8.7	9.7	14.2	15.3	16.1
Non-industrial	50.0	58.2	58.7	58.3	59.2	61.7	60.6	62.0	59.8	54.7	52.4	55.9
Real estate	1.1	2.3	2.8	2.6	2.8	2.5	2.9	2.5	2.0	1.7	2.1	2.0
Transport and communications	3.1	3.1	2.8	4.5	5.2	5.4	4.5	4.4	4.4	2.2	1.7	1.8
Education and health	0.6	0.5	1.1	0.8	0.9	1.0	1.0	0.9	0.9	0.7	0.7	0.6
Financial intermediary	0.5	1.1	0.9	1.1	0.9	1.1	0.8	1.2	0.6	1.6	1.3	0.7
Wholesale and retail trade	31.7	35.1	35.7	33.2	32.1	33.8	31.0	31.5	30.7	28.9	26.7	29.3
Others	13.0	16.3	15.5	16.1	17.3	18.0	20.3	21.5	21.2	19.6	19.9	21.6
By institutional sector	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Public enterprises 2/	5.3	3.9	2.3	4.3	3.3	3.1	3.2	3.2	2.8	1.5	1.2	1.3
Private sector 2/	62.7	52.8	58.7	55.5	55.9	55.1	52.3	52.7	54.6	58.2	57.6	56.0
Individuals	27.9	30.1	35.9	38.6	39.6	40.5	43.0	42.8	41.4	39.2	40.3	41.7
Others	4.2	13.3	3.1	1.6	1.1	1.3	1.4	1.3	1.3	1.0	0.9	1.0
By currency	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
In togrog	62.5	57.7	56.1	55.9	56.3	55.0	56.9	57.0	59.0	62.6	66.4	68.9
In foreign currency	37.5	42.3	43.9	44.1	43.7	45.0	43.1	43.0	41.0	37.4	33.6	31.1
Memorandum item:												
Total credit (In billions of Togrog) 3/	214.9	409.9	547.7	789.2	872.0	966.2	1,012.0	1,129.4	1,304.7	1,496.6	1,742.2	1,944.9

Source: Data provided by the Bank of Mongolia.

1/ Short-term: up to and including one year; medium-term: more than one and up to and including four years; long-term: over four years.

2/ Including cooperatives.

3/ Including foreign currency-denominated credits.



Table 33. Mongolia: Net Credit to Government, 2002–07

	2002	2003	2004	2005	2006				2007			
	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
(In billions of togrogs)												
Net claims on government	7.4	151.9	94.0	-0.6	-49.9	-120.9	-267.1	-439.8	-509.9	-587.3	-731.7	-690.8
Claims	70.5	266.4	190.0	145.8	135.0	134.1	114.0	77.5	72.8	92.4	99.9	59.8
Minus: Deposits	63.2	114.4	96.0	146.4	184.8	254.9	381.0	517.2	582.8	679.7	831.5	750.6
Bank of Mongolia (net)	6.3	127.8	105.8	52.3	-2.5	-71.6	-189.9	-332.6	-431.4	-510.1	-637.4	-570.9
Claims on Government	39.8	219.5	158.8	142.6	129.9	129.1	107.4	72.6	69.4	68.9	61.0	35.7
Loans to the MoF	0.0	0.0	0.0	94.4	90.7	90.6	22.4	0.0	0.0	0.0	0.0	0.0
Foreign exchange financing without togr	0.0	160.2	105.3	5.0	0.0	0.0	3.2	0.0	0.0	0.0	0.0	0.0
Government bonds	0.0	4.4	0.1	0.4	0.7	0.3	45.4	36.7	35.4	35.9	26.6	2.5
Reconstruction bonds	0.0	4.4	0.1	0.4	0.7	0.3	0.5	2.3	1.7	2.2	2.9	2.5
Treasury IMF account	39.8	54.8	53.4	42.9	38.5	38.2	36.4	35.8	34.0	32.9	34.4	33.2
Less: Deposits	33.5	91.7	53.0	90.3	132.4	200.7	297.3	405.1	500.8	579.0	698.4	606.6
Budget deposits	19.0	91.7	52.3	90.3	132.2	200.4	297.3	227.6	343.0	381.1	432.5	310.7
In domestic currency	15.2	73.0	42.0	48.1	87.7	96.4	111.9	68.1	46.0	183.6	186.9	257.1
In foreign currency	3.7	18.7	10.2	42.2	44.5	104.0	185.4	159.5	297.1	197.4	245.6	53.6
Budget reserves	0.0	0.0	0.8	0.0	0.2	0.3	0.0	177.5	157.8	197.9	265.9	295.9
Commercial banks (net)	1.1	24.2	-11.8	-52.9	-47.4	-49.3	-77.1	-107	-79	-77	-94	-120
Claims on Government	30.7	46.9	31.2	3.2	5.0	4.9	6.6	4.9	3.4	23.6	38.9	24.1
Advance financing of MoF	0.1	0.0	0.2	0.6	0.8	0.8	2.4	0.5	1.8	2.3	3.7	1.0
Government securities	30.6	46.8	31.0	2.4	4.0	4.0	4.0	4.2	1.4	20.9	34.7	22.6
Inherited and directed credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued interest receivable	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.5	0.5
Less: Government deposits	29.7	22.7	43.0	56.1	52.4	54.2	83.8	112.1	82.0	100.8	133.2	144.0

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

Table 34. Mongolia: Interest Rates, 2002-07

(In percent per annum)

	<u>2002</u> Dec.	<u>2003</u> Dec.	<u>2004</u> Dec.	<u>2005</u> Dec.	2006			2007					
					Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	
Deposit rates													
Current account													
Domestic currency	0.0-6.0	0.0-6.0	0.0-4.8	0.0-4.8	0.0-4.8	0.0-4.8	0.0-5.0	0.0-5.0	0.0-4.8	0.0-4.8	0.0-4.8	0.0-4.8	0.0-4.8
Foreign currency	0.3-3.0	0.3-3.0	0.3-3.0	0.0-7.2	0.0-7.2	0.0-3.6	0.0-4.0	0.0-4.0	0.0-4.0	0.03.6	0.03.6	0.0-3.6	0.0-3.7
Demand Deposit	2.4-10.2	1.8-10.0	6.0-9.6	6.0-9.96	6.0-9.96	6.0-10.0	6.0-10.2	6.0-10.2	6.0-10.2	6.0-10.2	6.0-10.2	6.0-10.2	6.0-10.3
Time deposit													
Domestic currency 1/	2.4-10.2	6.0-22.0	6.0-20.4	6.0-19.2	6.0-19.2	6.0-19.2	7.6-19.2	7.6-19.2	7.6-19.4	7.6-19.4	7.6-19.4	7.6-19.4	7.6-19.3
Foreign currency 2/	1.2-12.0	2.4-12.0	1.4-9.6	1.4-10.8	1.4-10.8	1.4-11.4	1.2-11.4	1.14-11.4	1.4-11.4	1.4-11.4	1.4-11.4	1.2-11.4	1.2-11.4
Loan rates													
Bank of Mongolia 3/	9.9	11.5	15.8	4.8	3.7	7.4	7.4	6.4	4.3	3.7	8.8	9.9	
Commercial banks 4/													
Domestic currency	33.4	31.5	30.0	28.3	28.3	24.2	26.1	24.5	22.5	21	19.7	20.3	
Foreign currency	19.8	19.6	17.9	14.8	15.8	15.9	15.3	15.5	13.2	15.5	12.9	12.9	

Source: Data provided by the Bank of Mongolia.

1/ Up to 1 year.

2/ 1-3 year.

3/ Discount rates on central bank bills with maturity of 14 days.

4/ Loan rates for short-term loans with maturity less than 1 year.

**Table 35. Mongolia: Financial Soundness Indicators for Banking Sector, 2002–07**

(In percent; unless otherwise indicated)

	2002	2003	2004	2005	2006	2007
<b>Capital Adequacy</b>						
Tier I capital ratio	17.7	18.5	17.4	15.8	15.6	11.8
Total regulatory capital/risk-weighted assets	20.0	20.4	20.0	18.2	18.1	14.2
Total regulatory capital/total assets	12.4	13.4	15.6	13.6	13.6	11.2
<b>Asset Quality</b>						
Distribution of risk weight category in (billion togrog)						
0 percent	0.0	0.0	0.0	0.0	0.0	0.0
20 percent	13.5	26.8	31.1	52.0	87.2	97.1
50 percent	2.1	2.6	13.0	22.2	43.9	33.9
100 percent	283.5	499.2	739.8	994.7	1,392.4	2,321.3
Large exposures/total assets	19.2	22.4	23.3	22.5	18.1	21.1
Large exposure/total capital	154.6	167.7	149.8	165.8	133.1	185.9
Foreign exchange loans/total loans	32.5	42.8	45.6	47.0	46.7	33.2
Non performing loans (NPLs)/total gross loans (or exposures)	5.0	4.7	6.0	5.6	4.7	3.2
NPLs net of provisions/total capital	-1.0	0.0	0.7	0.2	2.5	2.4
Provisions to NPLs	105.2	99.9	97.2	99.2	87.8	87.1
<b>Asset Sectoral Concentration</b>						
Agriculture, hunting, forestry and fishing	4.1	5.7	4.7	6.7	8.2	7.6
Electricity, steam and water supply	1.5	1.9	2.5	2.2	1.1	1.5
Construction	6.2	7.5	8.6	8.9	9.1	15.6
Mining and quarrying	15.4	8.4	8.6	9.0	7.8	6.3
Manufacturing	24.2	20.1	18.7	16.2	12.9	13.0
Wholesale & retail trade, repair of goods	30.8	34.0	34.6	33.2	31.0	29.2
Tourism and hotels, restaurants	1.7	1.8	2.0	2.1	1.6	1.3
Transport, storage and communication	2.9	3.0	2.8	4.3	4.2	1.7
Immovable asset renting business	1.1	2.2	2.6	2.4	2.5	2.5
Health and education	0.6	0.5	1.0	0.7	0.9	0.7
Financial intermediaries	0.5	1.0	0.9	1.0	1.2	0.7
Others	11.0	13.8	13.1	13.2	19.2	19.8
<b>Profitability</b>						
Return on (average) assets	4.3	3.1	2.5	2.2	2.7	2.5
Return on (average) equity	20.8	14.7	12.3	12.1	14.3	20.8
Interest margin/gross income	39.8	35.9	31.5	30.9	27.8	28.3
Expenses/income	78.9	84.7	85.5	86.0	83.5	83.5
Non-interest expenses/gross income	50.3	49.1	58.8	54.3	55.4	46.5
Personnel expenses to noninterest expenses	22.4	22.3	26.7	28.5	15.5	20.4
Trading and fee income to total income	23.1	10.8	13.7	16.2	17.3	13.6
<b>Liquidity</b>						
Loans to deposits	67.3	78.5	91.9	89.7	95.6	101.3
Liquid assets/total assets	39.9	35.3	31.6	36.0	37.9	28.1
Liquid assets/short-term liabilities	90.9	83.5	28.8	37.7	38.2	37.0
Demand deposits/total liabilities	12.0	10.9	11.9	14.0	14.3	16.4
Deposits to total non-interbank loans	83.8	85.4	82.5	72.6	70.6	62.4
<b>Memorandum item:</b>						
Net foreign exchange open position to total capital	8.9	36.5	33.6	27.4	30.8	30.1

Source: Data provided by the Bank of Mongolia.

**Table 36. Mongolia: Balance of Payments, 2002–07**

(In millions of U.S. dollars; unless indicated otherwise)

	2002	2003	2004	2005	2006	2007 Est.
Current account balance (including official transfers)	-110	-102	27	29	222	101
Trade balance	-229	-199	-149	-155	30	-218
Exports, f.o.b.	524	627	872	1,069	1,545	1,952
Of which : Copper	140	162	284	326	635	812
Gold	118	157	240	331	270	235
Imports, c.i.f.	-753	-827	-1,021	-1,224	-1,516	-2,170
Services, net	-12	-49	-46	65	122	161
Receipts	185	208	338	414	486	574
Payments	-196	-257	-383	-350	-364	-413
Income, net	-7	-15	-48	-106	-144	-79
Private transfers (net)	64	74	146	134	77	84
Official transfers	53	49	87	88	112	133
Other transfers	20	38	36	3	26	20
Financial and capital account	125	-30	10	88	110	182
Direct investment	78	132	129	258	290	328
Portfolio investment	0	50	-53	0	0	6
Medium- and long-term (net)	99	-170	75	61	39	150
Disbursements	182	176	157	91	88	237
Amortization	-83	-346	-82	-31	-49	-86
Currency and deposits, net	-9	-21	-120	-162	-244	-249
Others (including short-term capital flows)	-43	-20	-22	-68	26	-52
Errors and omissions	51	34	-5	8	57	6
Overall balance	66	-98	32	125	389	289
Financing	-66	98	-32	-125	-389	-289
Increase in net official reserves (-)	-66	97	-37	-131	-389	-289
Use of IMF credit (+)	-4	3	-7	-6	-4	-6
Increase in gross official reserves (-)	-61	94	-30	-125	-385	-283
Arrears accumulation (+) / payments (-) (net) /1	-1	1	5	6	0	0
Exceptional financing / rescheduling	0	0	0	0	0	0
Memorandum items:						
Current account balance (including official transfers; in percent of GDP)	-8.7	-7.1	1.5	1.3	7.0	2.6
Gross official reserves (end of period)	268	204	208	333	718	1,001
(In months of next year's imports of goods and services)	3.0	1.7	1.6	2.1	3.3	3.6

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

1/ Arrears on post-1991 Russian debt. Excluding disputed amounts with Finland.

**Table 37. Mongolia: Commodity Composition of Exports, 2002–07**

(In millions of U.S. dollars, unless otherwise indicated; unit values are denominated in U.S. dollars)

	2002	2003	2004	2005	2006	2007 Est.
Copper concentrate (value)	140.2	161.7	284.3	326.2	635.4	811.5
Volume (concentrate in '000 tons)	548.6	563.2	562.6	587.1	599.5	607.8
Refined copper equivalent	153.6	157.7	157.5	164.4	167.9	170.2
Unit value—refined (per ton)	912.9	1,025.6	1,804.8	1,984.5	3785.2	4,768.6
Molybdenum concentrate	10.1	15.0	20.0	46.7	47.8	75.4
Volume (tons)	3,469.0	3,967.3	2,250.2	2,395.1	3335.8	3,155.3
Unit value (per ton)	2,916.5	3,790.7	8,888.1	19,488.5	14327.2	23,891.0
Zinc ores and concentrates	...	...	...	...	91.1	173.2
Volume (tons)	...	...	...	...	105.8	130.8
Unit value (per ton)	...	...	...	...	0.9	1,324.8
Fluite ore	...	...	...	...	...	18.4
Volume ('000 tons)	...	...	...	...	...	228.9
Unit value (per ton)	...	...	...	...	...	80.4
Fluorite concentrate	17.0	15.0	11.4	24.7	35.0	26.5
Volume ('000 tons)	192.5	187.5	140.5	311.4	355.0	131.1
Unit value (per ton)	88.1	80.0	81.1	79.3	98.7	202.5
Coal	...	...	...	26.6	45.5	115.7
Volume (concentrate in '000 tons)	...	...	...	2,217.6	2373.8	3,227.0
Unit value (per ton)	...	...	...	12.0	19.2	35.9
Gold	117.6	157.3	239.9	331.4	270.1	234.9
Volume (kg)	12,388.3	14,220.6	19,043.6	23,811.5	15378.8	11,575.9
Unit value (per kg)	9,496.5	11,061.1	12,597.4	13,918.1	17563.5	20,289.9
Crude petroleum oils	...	...	...	...	...	53.4
Volume	...	...	...	...	...	0.7
Unit price	...	...	...	...	...	71.1
Sawn wood	0.0	0.0	0.0	0.1	0.2	0.1
Volume ('000 cubic meters)	0.0	0.0	0.2	0.5	1.1	0.3
Unit value (per cubic meter)	0.0	0.0	134.0	137.0	198.4	173.7
Cashmere tops	0.9	1.8	1.1	1.1	1.0	1.0
Volume (tons)	15.4	28.1	12.7	13.9	13.0	15.5
Unit value (per kg)	59.1	63.1	82.7	81.7	78.5	64.8
Cashmere, dehaired	30.5	25.7	44.1	52.8	81.7	114.3
Volume (tons)	632.3	563.1	831.7	919.2	1427.5	1,784.5
Unit value (per kg)	48.3	45.6	53.0	57.4	57.3	64.0
Cashmere garments	12.8	15.6	33.1	17.5	15.7	13.4
Volume ('000 pieces)	483.6	645.5	1,500.1	476.5	467.7	1809.7
Unit value (per piece)	26.4	24.1	22.1	36.8	33.5	7.4
Cashmere, greasy/raw	0.9	1.1	0.6	0.3	0.0	0.0
Volume (tons)	53.7	67.1	43.4	11.3	0.0	0.0
Unit value (per kg)	16.8	17.0	13.8	26.8	0.0	0.0
Cashmere, washed	...	...	...	...	...	114.3
Volume (tons)	...	...	...	...	...	1,784.5
Unit value (per kg)	...	...	...	...	...	64.0
Textiles	34.6	74.8	96.5	42.3	41.3	29.4
Volume ('000 pieces)	11,310.8	21,648.0	26,900.6	13,234.3	14,164.9	9054.6
Unit price	3.1	3.5	3.6	3.2	2.9	3.2
Camel wool, raw	0.7	0.7	0.7	1.9	0.9	1.0
Volume (tons)	345.0	354.8	281.8	609.2	523.4	416.5
Unit value (per kg)	2.1	1.9	2.4	3.1	1.8	2.5
Skin and hides	11.3	6.1	5.9	3.0	7.4	7.6
Volume ('000 pieces)	1,332.2	409.5	406.4	437.8	463.3	471.2
Unit price	8.5	14.8	14.4	6.8	16.0	16.1
Sheepskin coats	0.1	0.2	0.2	0.5	0.0	0.1
Volume ('000 pieces)	1.2	1.0	0.8	5.2	0.0	0.5
Unit value (per piece)	111.6	233.1	205.1	104.5	0.0	179.6
Carpets	0.9	0.0	0.0	0.0	0.0	0.0
Volume ('000 square meters)	101.0	0.0	0.0	0.0	0.0	0.0
Unit value (per square meter)	9.4	0.0	0.0	0.0	0.0	0.0
Meat	20.5	15.7	13.2	10.1	10.1	11.4
Volume ('000 tons)	17.2	11.0	52.2	34.9	39.8	52.5
Unit value (per ton)	1,187.5	1,434.2	252.2	289.8	254.8	216.6
Scrap Metal	3.5	3.7	8.7	8.3	16.6	22.3
Volume ('000 tons)	8.6	8.0	8.7	3.8	3.0	3.5
Unit value (per ton)	411.7	467.6	1,002.2	2,178.7	5473.6	6444.2
Other	122.0	132.8	112.6	175.0	245.2	128.6
Total Exports	523.9	627.3	872.1	1,068.6	1545.2	1,952.4
Mineral exports	285.0	349.1	555.6	755.6	1125.0	1,536.2
Nonmineral exports	238.9	278.2	316.5	313.0	420.2	416.2
Memoranda items						
			(In percent of total exports)			
Mineral exports	54.4	55.6	63.7	70.7	72.8	78.7
Nonmineral exports	45.6	44.4	36.3	29.3	27.2	21.3
			(In percent of GDP)			
Total exports	41.2	43.3	48.1	46.3	49.1	50.1
Mineral exports	22.4	24.1	30.6	32.8	35.7	39.5
Nonmineral exports	18.8	19.2	17.5	13.6	13.3	10.7

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

**Table 38. Mongolia: Commodity Composition of Imports, 2002–07**

(In millions of U.S. dollars; unless otherwise indicated)

	2002	2003	2004	2005	2006	2007	Est.
Food	130	112	157	153	180		266
Live animals and animal products	5	6	6	6	9		10
Vegetable products	58	36	69	56	63		79
Animal and vegetable oil	9	10	10	13	12		18
Prepared food	57	60	73	78	96		159
Energy	133	161	231	327	450		603
<i>Of which</i> : Petroleum products	110	143	210	302	423		560
Equipment Goods	210	250	305	372	420		647
Machinery and equipment	134	165	202	256	271		424
Vehicles and transportation equipment	76	85	104	116	150		223
Raw Materials and Spare Parts	77	107	135	159	194		320
Chemical products	35	42	47	55	72		108
Raw hides and skins	1	0	1	1	1		1
Building materials	11	21	17	19	24		47
Metals	31	43	71	86	98		164
Consumer Goods	141	157	182	172	234		332
Rubber products	19	22	26	30	39		67
Wood and wood products	3	4	4	5	7		12
Cellulosic materials	15	25	19	30	77		144
Textile	84	82	101	76	64		49
Footwear and clothes	2	2	2	1	2		3
Measuring instruments	9	10	17	15	20		30
Manufactured articles	9	12	14	14	25		26
Other imports	62	39	10	41	37		1
Total (c.i.f)	753	827	1,021	1,224	1,516		2,170
Memorandum items:							
Nonfood imports	623	714	864	1,070	1,336		1,904
Nonenergy imports	620	665	790	897	1,065		1,567
(In percent of GDP)							
Total imports	59.2	57.1	56.3	53.0	48.0		55.7
Food imports	10.2	7.8	8.7	6.6	5.7		6.8
Petroleum product imports	8.6	9.8	11.6	13.1	13.4		14.4
Nonfood imports (excluding energy)	38.5	38.2	34.9	32.2	28.1		33.4

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

**Table 39. Mongolia: Direction of Trade, 2002–07**

(In percent of total exports or imports)

	2002	2003	2004	2005	2006	2007 Est.
Exports 1/	100.0	100.0	100.0	100.0	100.0	100.0
Countries of the former CMEA	9.2	7.2	3.2	4.7	2.9	3.1
Former U.S.S.R.	9.1	7.2	3.2	4.7	2.9	3.1
Russia	8.6	6.3	2.4	2.6	2.9	3.0
Kazakhstan	0.1	0.5	0.0	0.1	0.0	0.0
Other	0.4	0.5	0.8	2.1	0.0	0.0
Korea, Democratic People's Republic of	0.0	0.0	0.0	0.0	0.0	0.0
EU countries	6.5	7.4	21.4	12.3	10.7	6.1
Belgium	0.0	0.1	0.1	0.1	0.1	0.0
France	0.0	0.3	1.8	0.1	0.1	0.3
Germany	0.5	0.8	1.3	1.2	0.0	0.0
Italy	1.7	1.5	2.0	2.3	2.6	3.0
Netherlands	0.5	0.4	0.4	0.4	0.2	0.4
United Kingdom	3.5	4.4	15.8	8.2	2.5	0.9
Other	0.2	0.0	0.0	0.1	5.2	1.4
Other	84.4	85.3	75.3	82.9	89.3	90.9
China	41.7	46.1	46.8	48.1	67.8	74.1
Hong Kong, China	0.6	0.5	0.8	0.2	0.2	0.3
Japan	1.3	1.4	3.8	0.5	0.5	0.8
Korea	4.4	1.2	1.1	6.1	1.4	2.2
Singapore	0.0	5.8	2.3	0.1	0.2	0.0
Switzerland	0.1	0.1	0.2	0.4	0.4	0.1
United States	31.6	23.3	18.0	14.3	7.7	3.4
Other	4.5	6.9	2.3	13.2	11.1	10.0
Imports	100.0	100.0	100.0	100.0	100.0	100.0
Countries of the former CMEA	38.5	37.6	41.0	43.0	38.0	35.8
Former U.S.S.R.	36.7	35.2	38.8	41.2	36.9	34.6
Russia	34.1	32.6	33.5	35.3	36.9	34.6
Kazakhstan	1.1	0.6	2.6	3.4	0.0	0.0
Other	1.6	1.9	2.7	2.5	0.0	0.0
Bulgaria	0.1	0.2	0.2	0.1	0.1	0.1
Czech Republic and Slovak Republic	0.5	0.7	0.5	0.4	0.0	0.0
Hungary	0.2	0.5	0.7	0.3	0.3	0.2
Poland	0.8	1.0	0.9	0.8	0.9	1.1
EU countries	8.3	11.0	8.3	8.3	9.8	10.5
Denmark	0.4	0.5	0.5	0.3	0.1	0.1
France	0.7	1.4	1.5	2.5	1.1	1.1
Germany	4.5	4.8	3.3	3.2	0.0	0.0
United Kingdom	0.4	0.5	0.4	0.7	0.6	0.6
Austria	0.1	0.7	0.5	0.1	0.1	0.3
Finland	0.5	0.3	0.2	0.2	0.2	0.4
Other	1.6	2.8	1.9	1.3	7.7	8.1
Other	53.2	51.4	50.7	48.8	52.1	53.6
China	20.2	21.8	22.0	24.9	27.2	31.3
Hong Kong, China	4.3	3.0	3.2	1.0	0.8	0.4
India	0.2	0.1	0.1	0.1	0.0	0.0
Japan	6.2	8.0	7.3	6.4	6.6	6.0
Korea	12.2	8.5	6.0	5.4	5.6	5.5
Singapore	1.7	1.3	1.5	1.4	1.4	1.3
Switzerland	0.5	0.6	0.4	0.1	0.1	0.0
United States	3.5	2.9	4.6	3.4	3.0	2.7
Other	4.7	5.3	5.7	6.1	7.6	6.3

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

1/ Data for exports of copper refer to country of initial purchaser rather than country of destination of final product.

**Table 40. Mongolia: Services and Income Accounts, 2002–07**

(In millions of U.S. dollars)

	2002		2003		2004		2005		2006		2007 (Est.)	
	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments
Services	184.6	196.4	207.9	257.2	338.2	503.5	414.4	475.9	485.8	523.3	573.9	613.6
Transportation	38.8	26.9	40.5	44.2	107.6	199.4	199.2	216.2	214.4	254.6	218.3	287.2
Passenger	13.0	6.0	11.0	5.9	19.6	13.6	26.4	16.3	36.2	24.2	42.5	21.9
Freight	1.9	18.2	5.4	35.3	37.0	107.2	77.9	129.3	97.6	151.5	86.0	236.8
Other	23.9	2.7	24.1	3.0	51.0	78.6	94.9	70.6	80.6	78.9	89.8	28.5
Travel	130.1	119.2	143.0	107.5	185.1	147.8	176.8	125.7	225.1	171.9	306.5	195.8
Business	0.0	0.0	0.0	0.0	0.4	7.6	0.7	4.7	0.9	5.6	0.2	4.5
Personal	130.1	119.2	143.0	107.5	184.7	140.2	152.2	121.0	206.4	166.4	287.0	191.3
Other	0.0	0.0	0.0	0.0	0.0	0.0	23.9	0.0	17.8	0.0	19.3	0.0
Communication services	6.0	8.6	4.8	7.4	4.8	9.1	14.4	23.4	17.9	9.8	19.4	15.4
Construction services	0.3	0.1	0.0	0.0	0.0	0.6	0.8	3.5	0.4	1.5	2.7	22.6
Insurance services	0.5	2.1	0.0	0.0	2.0	32.9	2.3	15.2	0.7	16.4	0.2	24.0
Financial services	0.9	0.7	0.0	0.0	2.0	7.9	5.0	7.9	9.0	2.9	2.8	2.7
Computer and Information serv	0.4	5.5	0.0	0.0	1.2	1.3	0.8	2.3	0.2	0.5	1.2	1.5
Royalties and license fees	1.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other business services	1.4	24.8	14.4	89.5	25.4	52.6	9.7	43.3	15.2	42.4	19.4	47.2
Personal, cultural, and recreator	0.0	0.0	0.0	0.0	0.9	44.9	0.1	30.6	0.0	14.2	0.0	9.0
Medical services	0.0	0.0	0.0	0.0	0.0	39.0	0.0	20.8	0.0	8.3	0.0	8.4
Educational services	0.0	0.0	0.0	0.0	0.0	5.9	0.0	9.6	0.0	3.7	0.0	0.5
Other	0.0	0.0	0.0	0.0	0.9	0.0	0.1	0.2	0.0	2.2	0.8	0.2
Government services	5.2	8.0	5.2	8.6	9.2	7.2	5.3	8.0	2.9	9.0	3.3	8.3
Income	14.1	21.1	13.9	29.2	16.5	64.0	10.7	116.7	17.4	161.9	53.5	132.6
Direct investment income	0.0	5.2	0.0	6.8	0.0	45.5	0.0	96.4	0.0	145.4	0.0	107.7
Interest on bank deposits	5.7	0.8	5.1	1.9	8.5	0.0	5.7	0.0	14.6	1.3	40.7	0.9
Interest on debt	0.0	10.8	0.0	11.9	0.0	14.6	0.0	15.3	0.0	14.6	0.0	14.6
Official Medium- and long-term	0.0	10.8	0.0	11.9	0.0	14.6	0.0	15.3	0.0	14.6	0.0	14.6
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private Sector	0.0	2.5	0.0	3.8	0.0	1.3	0.0	3.5	0.8	0.1	0.9	4.4
Interest on trade credit	0.0	0.5	0.0	0.9	0.0	2.6	0.0	1.5	0.8	0.1	0.9	0.1
Other interest	8.4	1.3	8.8	3.9	8.0	0.0	5.0	0.0	1.2	0.4	11.0	4.9

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.



**Table 41. Mongolia: Medium- and Long-Term Loan Disbursements, 2002–07**

(In millions of U.S. dollars)

	2002	2003	2004	2005	2006	2007
Public loans	83.8	101.2	128.7	90.4	88.2	81.9
Japan	14.0	17.7	25.1	20.9	5.3	10.2
Germany	8.1	6.9	5.8	4.7	4.5	3.1
Korea	16.2	4.6	0.0	0.0	0.0	3.7
Norway	0.0	0.0	3.6	1.8	4.9	5.1
Abu Dhabi fund	0.0	0.0	0.0	6.9	4.8	1.3
Spain	0.0	0.0	2.8	0.0	0.0	4.2
Kuwait	3.9	3.2	1.8	9.8	6.8	9.1
China	0.0	0.0	0.0	0.0	18.1	3.5
World Bank	14.4	27.7	48.9	13.6	12.7	19.5
Program	0.0	5.8	5.8	0.0	0.0	0.0
Project	14.2	21.4	39.2	13.6	12.7	19.5
Technical assistance	0.2	0.5	3.9	0.0	0.0	0.0
Asian Development Bank	26.5	39.5	39.4	30.0	28.2	19.6
Balance of payments support	0.0	20.1	5.0	8.8	5.2	0.0
Project	26.5	19.4	34.4	21.2	23.1	19.6
Technical assistance	0.0	0.0	0.0	0.0	0.0	0.0
IFAD	0.7	1.6	1.1	2.8	0.0	2.7
Private loans	98.2	74.4	28.5	1.0	0.0	154.8
Total	182.0	175.6	157.2	91.4	88.2	236.7

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

**Table 42. Mongolia: Short-Term Capital Flows, 2002–07**

(In millions of U.S. dollars)

	2002	2003	2004	2005	2006	2007
Import credits	-8.5	-20.3	4.8	-4.5	15	2.3
Inflows	1.8	2.7	4.8	11.4	17.8	17
Erdenet	1.5	1.8	4.0	10.2	12.7	15.7
Others	0.3	0.9	0.8	1.2	5.1	1.3
Outflows	10.3	23.0	...	15.9	2.8	14.7
Erdenet	10.3	23.0	...	15.9	2.8	13.3
Trade credit extended on exports	6.6	-8.7	-0.6	-1.5	10.6	-15.5
Inflows	7.7	0.0	0.0	0.0	31.6	55.5
Erdenet	7.7	...	...	...	...	52.7
Outflows	1.1	8.7	0.6	1.5	21	71
Others	1.1	8.7	0.6	1.5	21	71
Total	-1.9	-29.0	4.2	-6.0	25.6	-13.2

Sources: Data provided by the Bank of Mongolia; and Fund staff estimates.

Table 43. Mongolia: External Debt and Debt Service, 2002–07 1/

	2002	2003	2004	2005	2006	2007
(In millions of US dollars)						
External debt	978.1	1,237.0	1,352.4	1,305.6	1,420.3	1,535.4
Medium- and long-term	936.1	1,138.1	1,308.5	1,270.5	1,389.5	1,509.9
IMF	42.0	48.9	43.9	35.1	30.8	25.4
Short-term 2/	0.0	50.0	0.0	0.0	0.0	0.0
Debt service	32.0	284.0	91.4	42.8	57.0	51.6
Amortization	20.9	272.3	75.2	27.5	42.4	35.6
Interest	11.1	11.6	16.2	15.3	14.6	16.0
Medium- and long-term	24.2	275.2	32.5	36.7	52.6	45.3
Amortization	13.2	263.8	17.9	21.6	38.2	29.5
Interest	11.0	11.4	14.6	15.1	14.4	15.8
IMF	7.8	8.7	7.5	6.1	4.4	6.3
Repurchase/Repayments	7.7	8.5	7.3	5.9	4.2	6.1
Charges	0.1	0.2	0.2	0.2	0.2	0.1
Short-term 2/	0.0	0.0	51.3	0.0	0.0	0.0
(In percent)						
External debt/GDP	76.9	85.4	74.6	56.6	45.0	39.4
Medium- and long-term	73.6	78.6	72.2	55.1	44.0	38.8
IMF	3.3	3.4	2.4	1.5	1.0	0.7
Short-term 2/	0.0	3.5	0.0	0.0	0.0	0.0
External debt/exports of goods and services	138.0	148.0	111.7	88.0	69.9	60.8
Medium- and long-term	132.1	136.3	108.1	85.7	68.4	59.8
IMF	5.9	5.8	3.6	2.4	1.5	1.0
Short-term 2/	0.0	6.0	0.0	0.0	0.0	0.0
Debt-service ratio 3/	4.5	34.0	7.5	2.9	2.8	2.0
Amortization	2.9	32.6	6.2	1.9	2.1	1.4
Interest	1.6	1.4	1.3	1.0	0.7	0.6
Medium- and long-term	3.4	33.0	2.7	2.5	2.6	1.8
Amortization	1.9	31.6	1.5	1.5	1.9	1.2
Interest	1.6	1.4	1.2	1.0	0.7	0.6
IMF	1.1	1.0	0.6	0.4	0.2	0.2
Repurchase/repayments	1.1	1.0	0.6	0.4	0.2	0.2
Charges	0.0	0.0	0.0	0.0	0.0	0.0
Short-term 2/	0.0	0.0	4.2	0.0	0.0	0.0

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ Public or publicly guaranteed debt.

2/ Includes treasury bill in US\$ to nonresident issued in relation to pre-1991 Russian debt settlement.

3/ In percent of exports of goods and services.

**Table 44. Mongolia: External Debt Stock by Creditor, 2002–07 1/**

(In millions of U.S. dollars, end of period)

	2002	2003	2004	2005	2006	2007
External Debt	978.1	1,237.0	1,352.4	1,305.6	1,420.3	1,535.4
Medium and long-term official (excluding IMF)	936.1	1,138.1	1,308.5	1,270.5	1,389.5	1,509.9
Multilateral (excluding IMF)	548.0	668.8	790.6	770.9	852.9	922.6
Asian Development Bank	366.1	439.1	498.6	485.9	539.3	575.3
World Bank	179.0	225.0	285.9	276.6	302.1	332.6
IFAD	2.9	4.7	6.2	8.4	11.5	14.7
Bilateral official	375.1	456.3	504.9	486.6	536.5	587.3
Paris Club	322.2	395.7	442.3	407.8	429.7	462.6
Japan	219.3	261.8	293.4	269.0	269.5	280.4
Russia	24.5	22.1	16.7	16.7	16.7	16.7
Germany	59.9	77.9	88.9	81.8	95.1	104.2
Finland	5.9	7.9	8.8	7.6	8.2	8.8
Norway	12.5	17.1	21.9	21.5	27.8	34.9
Spain	0.0	8.8	12.9	11.2	12.5	17.6
Non-Paris Club	52.9	60.6	62.6	78.8	106.8	124.7
China	15.0	15.0	15.0	15.4	28.7	30.9
Korea	24.5	30.2	31.7	31.9	33.5	37.0
Abu Dhabi	0.0	0.0	0.0	6.9	11.4	15.3
India	0.7	0.6	0.4	0.3	0.2	0.0
Kuwait	12.7	14.8	15.6	24.4	30.2	38.8
Poland	0.0	0.0	0.0	0.0	2.9	2.7
Treasury bill in US\$ to nonresidents	0.0	50.0	0.0	0.0	0.0	0.0
IMF	42.0	48.9	43.9	35.1	30.8	25.4
Commercial	13.0	13.0	13.0	13.0	0.0	0.0

Sources: Data provided by the Ministry of Finance; and Fund staff estimates.

1/ Public or publicly guaranteed debt.

Table 45. Mongolia: Official Reserves of the Bank of Mongolia, 2002–07

(In millions of U.S. dollars)

	2002			2003			2004			2005			2006			2007			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.
Net international reserves	225.7		129.0	163.5	298.1	350.0	383.2	509.5	687.3	852.8	976.3	1,048.3	975.1						
Assets	268.3		203.5	207.8	333.1	382.9	416.9	541.6	718.0	882.0	1,004.1	1,074.5	1,000.6						
Foreign exchange	218.5		196.9	193.7	333.1	346.1	231.3	404.6	583.4	796.2	902.6	939.2	801.7						
Cash	12.2		11.3	10.1	9.9	11.2	11.7	16.0	17.8	10.9	6.7	19.8	19.8						
SDR holdings	0.0		0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.1	0.0						
Demand deposits	1.7		6.3	1.7	2.8	41.7	39.5	116.2	17.2	245.6	308.5	99.1	35.2						
Foreign government bills	45.4		66.1	50.7	72.3	0.0	0.0	0.0	118.8	19.9	60.4	171.1	151.7						
Time deposits	159.0		113.0	131.1	248.0	293.0	179.9	272.1	429.4	519.6	526.6	648.9	594.7						
Reserve position in the IMF	0.1		0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2						
Monetary gold	49.8		6.7	14.1	0.0	36.8	185.6	137.0	134.6	85.8	101.5	135.4	198.9						
Liabilities (official short-term)	42.6		74.6	44.3	35.0	32.8	33.7	32.1	30.7	29.1	27.7	26.3	25.5						
Use of Fund Credit and Loans from the IMF	42.6		49.6	44.3	35.0	32.8	33.7	32.1	30.7	29.1	27.7	26.3	25.5						
Borrowing from banks abroad	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Nonresident deposits	0.0		25.0	0.0	2.6	2.7	2.8	2.8	0.0	0.0	0.0	0.0	0.0						
Other	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						

Sources: Data provided by the Bank of Mongolia, and the IMF's Finance Department.

**Table 46. Mongolia: Selected Indicators of Commercial Bank Foreign Exchange Operations, 2002–07**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
Foreign assets (US\$ million)	62.9	113.3	113.8	185.9	352.1	362.0
Cash	11.2	15.2	23.2	24.5	51.5	42.8
Demand deposits	17.3	33.0	27.2	49.4	97.6	194.9
Time deposits	34.4	65.0	57.0	94.0	148.1	84.0
Other assets	0.0	0.1	6.3	18.0	54.9	40.3
Foreign liabilities (US\$ million)	14.6	44.0	44.4	44.9	43.2	103.9
Deposits of foreign banks and nonresidents	2.7	3.9	34.0	32.9	7.6	24.6
Loans from foreign banks	1.5	2.4	3.0	3.0	29.2	74.1
Other foreign liabilities	10.4	37.8	7.3	9.1	6.4	5.2
Foreign currency denominated loans (US\$ million)	77.4	163.0	239.2	334.9	450.9	544.6
Summary indicators (in percent)						
Foreign currency loans/total loans	37.0	42.4	44.8	45.2	42.1	30.5
Nonperforming loans/total loans (foreign exchange)	7.5	9.9	10.9	9.8	1.8	1.4
Nonperforming loans/total loans (togrog)	6.9	7.1	11.3	8.1	4.7	3.2
Foreign currency deposits (US\$ million)	120.2	214.2	268.2	364.1	436.5	592.7
Summary indicators (in percent)						
Foreign currency deposits/total deposits	38.7	43.8	46.1	44.0	38.5	33.3
Foreign exchange current accounts/total current accounts	48.9	61.0	58.2	63.1	59.0	51.5
Foreign currency demand deposits/total demand deposits	48.6	49.3	56.9	48.9	44.9	37.6
Foreign currency time and savings deposits/total time and savings deposits	27.6	29.7	37.8	30.5	26.7	20.1

Source: Data provided by the Bank of Mongolia.

**Table 47. Mongolia: Nominal Exchange Rates, 2002–07**

(In togrogs per U.S. dollar, period average)

	Official rate 1/	Interbank rate 2/	Street rate
2002	1,110.3	1,110.7	1,111.0
2003	1,146.5	1,147.3	1,147.7
2004	1,185.2	1,186.7	1,187.4
2005	1,205.3	1,207.0	1,205.4
2006	1,179.7	1,179.5	1,180.5
2007	1,170.4	1,170.6	1,172.0
2005 1Q	1,207.4	1,208.8	1,209.9
2Q	1,188.5	1,189.3	1,190.6
3Q	1,202.0	1,204.5	1,206.8
4Q	1,223.3	1,225.5	1,214.1
2006 1Q	1,204.7	1,203.6	1,204.8
2Q	1,180.1	1,180.9	1,181.5
3Q	1,168.8	1,168.4	1,169.8
4Q	1,165.2	1,165.1	1,166.0
2007 1Q	1,164.9	1,164.6	1,165.3
2Q	1,164.7	1,164.3	1,164.9
3Q	1,177.4	1,178.7	1,180.8
4Q	1,174.7	1,174.7	1,176.9
2005			
January	1,210.9	1,213.2	1,215.4
February	1,208.5	1,210.9	1,212.7
March	1,202.7	1,202.2	1,201.7
April	1,186.9	1,187.4	1,189.1
May	1,188.0	1,188.6	1,189.6
June	1,190.5	1,191.8	1,193.1
July	1,193.5	1,194.3	1,196.0
August	1,200.2	1,202.8	1,204.8
September	1,212.4	1,216.5	1,219.6
October	1,218.8	1,221.3	1,224.2
November	1,224.4	1,227.5	1,188.3
December	1,226.6	1,227.7	1,229.8
2006			
January	1,220.5	1,221.6	1,224.3
February	1,210.2	1,209.6	1,210.0
March	1,183.2	1,179.6	1,180.2
April	1,186.3	1,188.9	1,189.7
May	1,182.5	1,182.9	1,182.9
June	1,171.5	1,171.0	1,171.9
July	1,170.3	1,169.4	1,171.2
August	1,168.4	1,168.3	1,169.9
September	1,167.7	1,167.5	1,168.5
October	1,166.6	1,166.2	1,167.3
November	1,164.1	1,164.1	1,165.2
December	1,164.8	1,165.0	1,165.6
2007			
January	1,165.5	1,165.5	1,166.6
February	1,164.6	1,164.0	1,164.5
March	1,164.5	1,164.4	1,164.8
April	1,165.0	1,164.7	1,164.9
May	1,165.0	1,164.4	1,164.9
June	1,164.1	1,163.6	1,164.8
July	1,164.1	1,164.3	1,165.2
August	1,180.4	1,183.5	1,186.2
September	1,187.6	1,188.2	1,190.9
October	1,179.8	1,180.0	1,182.4
November	1,173.9	1,173.7	1,175.9
December	1,170.2	1,170.3	1,172.4

Source: Data provided by the Bank of Mongolia.

1/ Midpoint rate announced by the Bank of Mongolia.

2/ Midpoint rate established in the interbank foreign exchange market.